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ABSTRACT

This study examines various options available in the formulation of a proposal to increase student charges in the University of California and the State colleges. Four issues are discussed: (1) cost distribution of state and student support; (2) uses of the fees for instruction, student services, student financial aid, research, community services, capital outlay current operations, debt instrument, and pay-as-you-go plan; (3) techniques for cost administration, i.e., comprehensive loan, graduated charges, flat charges, differentiated charges, voucher system; and (4) effects of fee increases on student population redistribution and attrition. It is estimated that 13,800 students would be affected. Fifty-five pages of appended resolutions, statements, graphs and charts comprise the basis for the study. There are 6 policy proposals regarding the collection and administration of funds. (NF)

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STUDENT CHARGES

A STUDY OF THE POSSIBLE DISTRIBUTION, USE, AND TECHNIQUES OF ADMINISTERING STUDENT CHARGES IN THE UNIVERSITY OF CALIFORNIA AND THE CALIFORNIA STATE COLLEGES

HE 001 475

A STAFF REPORT TO THE COORDINATING COUNCIL FOR HIGHER EDUCATION
COUNCIL REPORT NUMBER 1035 DECEMBER 1969

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FOREWORD

The Organic Act of 1868 that established the University of California contained among its provisions one relating to student charges, namely that "...tuition shall be free to all residents of the state...."

For one hundred years, the Board of Regents has operated generally in accordance with this tuition-free principle. During the same period, the California State Colleges occasionally have charged tuition fees, at rates that exhibit considerable variation. According to statute passed in 1933, however, State College tuition fees "...shall not exceed twenty-five dollars per year...."

In 1960, the following recommendation appeared in the California Master Plan for Higher Education:

> The two governing boards reaffirm the long established principle that state colleges and the University of California shall be tuition free to all residents of the state.

While attempting to observe the tuition-free principle, both segments have, since 1960, developed sizeable student fees. Considerable care has been taken to distinguish between such "fee" charges and charges for what was defined in the Master Plan as "tuition," although a nominal portion of student fees is allocated to purposes defined in the Master Plan as tuition supported.

During recent years, the tuition-free principle has come under considerable question. Numerous developments have contributed to a serious, current concern as to the feasibility of the principle, the most recent being the defeat of a bond issue for higher education facilities presented to the California electorate during 1968.

As a result of this concern, the California Coordinating Council for Higher Education initiated in the spring of 1969 a study of the question of student charges in the University of California and California State Colleges. (The original Council resolution calling for this study is contained in Appendix A.)

The various options available for the development of a student charge policy were considered at the October 1969 meeting of the Council. After discussing these options, the Council adopted a resolution requesting its staff to "prepare specific proposals for increased student charges" and "recommendations for a student aid program" designed to maintain the present access to the public four-year segments.

Additional discussion regarding these specific proposals took place at the Council's December 1969 meeting. At that time the Council adopted policies regarding student charges which include the use of a flat charge. In addition, the Council policy specifically recommended a "moderate" increase with revenues to be used to fund debt service for capital outlay and to supplement student financial aid. While the specific amount of increase was not indicated, the implied level would be around $200 per student (per year) at the University and a lesser amount at the State Colleges. The text of the Council policy recommendation is on pages iii and iv.

The conclusions of the study and recommendations of the Council staff are in Chapter I. The policy adopted by the Council is generally consistent with the staff recommendations.

The discussions in Chapters II, III, IV, and V deal with the many issues involved in setting student charges and the use and techniques of administering such charges. These discussions are intended to provide a basis for policy positions regarding the question of student charges in the public four-year segments of California higher education. It should be noted that one such policy position has been adopted as an underlying assumption of the entire report: that the existing access of public institutions to students will not diminish as a consequence of possible changes in student charge policies at the University and State Colleges. A number of consequences follow from this assumption and are discussed where relevant.

This report has been prepared by Charles McIntyre of the Council staff under the general direction of Willard Spalding. Advice and assistance were provided by John M. Smart and J. C. Scheuerman. The staff has been advised throughout the study by an Ad Hoc Committee, consisting of Dr. Frank Kidner, Vice President-Educational Relations, at the University of California; Mr. Tom McGrath, Assistant Executive Vice Chancellor of the California State Colleges; and Mr. Arthur Marmaduke, Executive Secretary of the California State Scholarship Commission. Responsibility for the study, however, is solely that of the Council staff.

OWEN ALBERT KNORR
Director

#336

COORDINATING COUNCIL
FOR HIGHER EDUCATION

Resolution on Specific Proposals for Increased Student Charges

WHEREAS, The Coordinating Council for Higher Education at its October 1969 meeting adopted Resolution #331 requesting its staff to "prepare specific proposals for increased student charges" and "recommendations for a student aid program" designed to maintain the present access to the public four-year segments, and

WHEREAS, The Council has received and considered the proposals and recommendations of its staff in this regard; now, therefore, be it

RESOLVED, That the Coordinating Council take the action indicated in the attachment, which by reference becomes part of this resolution.

Adopted
December 2, 1969

Specific Proposals for Increased Student Charges

COUNCIL ACTIONS

The Coordinating Council advises the Governor, the Legislature, the Board of Regents, and the Board of Trustees, that student charges should be increased moderately at the University of California and the California State Colleges, and that the following policies be adopted with respect to such charges:

1. Increased student charges should be set by the Board of Regents of the University and Trustees of the State Colleges. Revenues from these charges should be used to:
    - a. Fund debt service for capital outlay expenditures (over and above the level of existing 1969-70 State support) for instructional and student service facilities, exclusive of health sciences.
    - b. Supplement student financial aid in order to increase access to the University and State Colleges of students unable to attend because of financial reasons.
2. Revenue over and above that needed for debt service and student aid should be used at the discretion of the respective governing boards.
3. Increased charges should be collected in the form of a "flat" charge.

CHAPTER I

SUMMARY AND RECOMMENDATIONS

A. SUMMARY

This study examines various options available in the formulation of a proposal for student charges. Three aspects of the overall question are covered: (1) distribution of State and student support (the relative level of student charges, given cost), (2) the uses to which charges may be put, and (3) the techniques by which charges may be administered. The options discussed are summarized as follows:

Distribution of Support

Increased charges for:

1. Funding of improvements over and above the level of existing (1969-70) State support.
2. Displacement of existing (1969-70) State support.
3. Combination of 1. and 2.

No increase in charges:

4. Continuation of the existing "tuition-free" policy.

Use

1. Capital outlay
2. Current operations
3. Combination of 1. and 2.

1. Debt instrument
2. Pay-as-you-go
3. Combination of 1. and 2.

1. Instruction
2. Student services
3. Student financial aid
4. Research
5. Community services
6. Some combination of the above

Technique

1. Comprehensive loan
2. Graduated charge
3. Flat charge
4. Differentiated charge
5. Voucher system

Each of these major aspects is treated separately so that a combination of policy statements, one for each of the three areas, would constitute a complete proposal for student charges. This approach seems preferable to one in which the Council would be confronted with a number of alternative proposals, the components of which had already been determined. A listing of all the combinations of options possible for a complete proposal for student charges would require more than 500 separate alternative proposals. Reasonable choice from such a prodigious list would be a difficult task at best.

In this report, the primary topic of concern is the distribution and administration of State and resident-student support of California four-year public institutions of higher education. Consequently, certain other important issues are not introduced. Alternative sources of financial support such as gifts, grants, endowments, and federal funds are assumed to continue according to recent historic trends and will not be discussed otherwise. A consideration of charges to students attending the public Community Colleges is excluded. This segment and the private institutions will be discussed only insofar as they may be affected by changes in student charge policy at the public four-year segments.

Nonresident charges are not discussed. This topic is the subject of a forthcoming staff paper to be presented in the Spring of 1970. Consideration of the nonresident student does not appear essential to a determination of resident charges, unless unusual increases in resident charges were adopted. Approximate equivalence of resident and nonresident charges would pose a number of implications not discussed here.

The major assumption underlying this report is that the existing access to public higher education will not diminish as a consequence of changes in student charge policies at the University and State Colleges. Therefore, the financial ability of students and their families to contribute to the cost of education must be considered under the various alternatives, and provisions for financial assistance developed where necessary.

B. CONCLUSIONS

1. Distribution

The existence of significant private returns to a student from his higher education suggests that instruction should not be provided entirely free of cost to him. It is noted that currently both the University and State Colleges assess students a nominal charge for instruction. The University Registration Fee contains $27 per year for laboratory fees and the Materials and Service Fee in the State Colleges includes $41 per year for instructional expense.

The expenditures from both these charges are for purposes that are defined in the Master Plan as tuition supported.

Under existing policy, however, the individual student and his family make a substantial investment in, and, in fact, assume the major share of the real cost of higher education. Consequently, if student charges are to be increased, it would seem that such increases would necessarily be moderate in nature. Of the options presented to the Council, therefore, the option calling for charges to fund only improvements (over and above 1969-70 levels of State support) most closely approximates a "moderate" increase. Increases designed to further displace State support, in this context, clearly would be less preferable.

2. Use

Among the more pragmatic criteria for estimating student charges, the use of charges to replace decreasing State support was noted as being perhaps the most relevant. In this regard, there has been a significant decline over the past three years in State support for capital outlay at the University and State Colleges.

The obvious need for a source of income to provide for those capital outlay funds that are no longer available, coupled with the argument for a moderate increase in student charges, suggest that if charges are to be increased, then such charges should be set so as to fund capital outlay expenditures (over and above the level of existing 1969-70 State support) for instructional and student-service facilities.

This policy would provide for needed improvements in, but would not replace, existing 1969-70 State funding for capital outlay. In this sense, however, the charge would replace a portion of the capital budget that, prior to the most recent three-year period, was supported by State funding.

If charges are to be used for capital facilities, the financial arrangement most closely related to private benefits received is bond financing whereby students, in effect, pay for their current use of such facilities. This policy may be implemented by authorizing the University and State Colleges to issue bonds to finance construction of academic facilities. The principal and interest payments on such bonds, in turn, would be supported by student charges. The alternative is to use student charges for support of capital outlay expenditures on a pay-as-you-go basis.

Given the current approximate level of State support for capital outlay, the above policies imply an increase in annual student charges of $200 at the University of California and $100 at the California State Colleges, if bond financing is utilized. The level of increase would be greater if a pay-as-you-go arrangement were utilized. (Note: these are only gross estimates; the specific amounts could be set only after further empirical research.)

The annual University Registration Fee of $300 currently contains $203 for support of student services, with the balance devoted to instruction ($27) and student financial aid ($70). The State College Materials and Service Fee contains $54 for student services, $41 for instructional expenses, and $7 for administration of student financial aid programs -- a total of $102 per year.

There are valid arguments for using student charges for the support of instructional and student service expenditures but not for the support of sponsored research and public services. At the same time, the argument for State support of student financial aid appears equally valid. Equality of economic and social opportunity, which may be accomplished in part through equality of educational opportunity, is the basis for the distribution of financial aid to those students unable to afford the cost of education. The provision of equal educational opportunity, which serves to redistribute wealth either among this or future generations, is usually cited as one of the legitimate justifications for government intervention in higher education. Student financial assistance is directed largely to the social, as opposed to private, benefits of education. As a consequence, it may be argued that the State rather than certain students and their families, should support such an activity.

3. Technique

The alternative of a flat student charge with a traditional student financial aid program appears to be far more equitable in its identification of need and subsequent distribution of aid than does the graduated charge technique. The latter technique utilizes an ability-to-pay criterion -- adjusted gross income -- that totally neglects such factors as family size, assets, and extraordinary expenses. These are factors commonly used in administering the traditional financial aid program.

The loan programs examined contain no means test. As a consequence of this and other features, the loan programs appear less equitable than either the flat charge or graduated charge techniques. In addition, a comprehensive loan program would be more costly to administer than the alternative techniques.

The alternatives of (1) a flat charge with the traditional student financial aid program (for those unable to afford the charge) and (2) the graduated charge may be compared for administrative costs. While the graduated charge appears to be the more simple procedure of the two, available evidence indicates that the administrative costs for this technique may well be greater than those incurred under the alternative technique. The need for utilizing traditional aid programs even under the graduated charge technique renders this conclusion all the more valid.

The above considerations suggest the further policy that increased charges should be in the form of a flat charge with a traditional student financial aid program designed to maintain at least the existing access to the University and State Colleges for those unable to afford the charge. If bond financing is utilized, excess revenues over those amounts needed for debt service -- including reserves for future debt obligations -- could be used for current operating expenditures for instruction and student services, without displacing existing (1969-70) levels of State support.

4. Diversion

Increased charges of $200 at the University and $100 at the State Colleges would result, during 1970-71, in total student charges of approximately $530 at the University and $230 at the State Colleges. Even if financial assistance were provided to those unable to afford the increase, it is estimated that some 13,800 students would be diverted: 11,100 from the State Colleges and 2,700 from the University. Of the total number diverted, it is estimated that approximately 1,500 would transfer from the University to a State College, 4,000 would be diverted from the four-year segments to a Community College, 600 would attend California private institutions, and the remainder would either attend an institution in another state, discontinue their education entirely, or go to work and continue their education on a limited basis.

Estimates of enrollment and physical plant capacity for the Community Colleges during 1970-71 suggest that these colleges could absorb 4,000 diverted students. A more important consideration, however, may be that of the impact upon relatively fixed operating budgets in many districts.

It is further estimated that increases in student charges of twice the magnitude examined above would result in more than twice the amount of diversion estimated. The ability of certain individual Community Colleges to handle their share of the resulting total diversion (8,000 to 10,000 students) is questionable, unless additions to physical plant capacity are constructed.

C. RECOMMENDATIONS

In summary, if student charges are to be increased at the University and State Colleges, the Council staff recommends that the following policies be adopted with respect to such charges:

1. Increased student charges should be set by the Board of Regents of the University and Trustees of the

State Colleges so as to fund capital outlay expenditures (over and above the level of existing 1969-70 State support) for instructional and student service facilities, exclusive of health sciences.

2. Increased charges should be collected in the form of a "flat" charge.

3. Student financial aid programs of the traditional variety should be administered by the institutions in such a manner as to maintain at least the existing access to the University and State Colleges for those individuals unable to afford the increased charge.

4. Revenues from the charge should be administered by the segments either on a pay-as-you-go basis or to service bonded indebtedness. If bond financing is used, current revenues over those amounts needed for debt service--including reserves for future debt obligations--should be used for current operating expenditures in instruction and student services, without displacing existing (1969-70) levels of State support for such operating expenditures.

5. Student charges should not be used to support programs of financial assistance to other students. Such programs are the primary responsibility of the State.

6. Student fee charges for instruction and student services at the University and State Colleges may be continued according to existing policies.

CHAPTER II

DISTRIBUTION OF SUPPORT

One possible method of determining the appropriate distribution of student and public support of higher education is that in which student charges are set at a level that provides the maximum return on public investment in public higher education. To accomplish this, a student charge could be established so that the output of higher education demanded at that charge occurs at a point where the social and private returns from one additional unit of output is equal to the cost of producing that unit. Any other set of student charges and output will not be as efficient. This mechanism of equating marginal costs to marginal returns or benefits is similar to the way in which the private firm would act if it wished to maximize "profits."

Unfortunately, little firm information about these benefits is available. As a result, the standard techniques of setting student charges employ more pragmatic criteria, such as: (1) following the nationwide pattern of student charges, (2) charging an arbitrary portion of the costs of enrollment-related operations, (3) relating the public support of higher education in some way to the State's economy, and (4) raising needed revenues in the face of decreasing public financial support.

The first three considerations bear no apparent logical connection to the "appropriate" distribution of State and Student support of higher education in California. Criterion 4, the fact of decreasing public financial support may well be the most logical basis upon which to establish student charges. It is suggested that, if a decision is made to increase student charges, the Council could provide policy advice as to whether such a charge increase should: (1) fund improvements in the existing program levels, and/or (2) displace existing State funding.

Other guidelines that examine cost-benefit measures may be helpful in developing policies regarding distribution of support. As noted, there is little information, particularly quantitative, regarding the social and private benefits of higher education. However, a limited examination of the public and private costs may be undertaken. From this it may be possible to derive an idea of the values currently attributed (implicitly) to the private and social benefits as a result of the relative size of the individual's investment, as compared to the State subsidy of the costs of higher education.

A. PRIVATE BENEFITS

The private returns from higher education are measured primarily by the additional lifetime earnings attributable to that education. Based upon incomes reported for 1967, a male with four years of college would earn approximately $167,000 more on the average during his lifetime than the high school graduate. Five or more years of college would increase this differential to approximately $246,000.[1]

Some of the income differential may be attributed to inherent differences in individual ability.[2] However, after allowing for such differences it may be estimated that a college degree is still worth approximately $100,000 more over an individual's lifetime.

Private returns of a nonmonetary nature may also be cited. These include individual enrichment, hedging against changes in technology that render certain skills obsolete, and options regarding life style and employment that are not as frequently available to the individual with less education.

B. SOCIAL BENEFITS

Social benefits are those results of higher education that accrue automatically to individuals other than students, i.e., to society in general. Measurement of social benefits is even more subjective than that of private benefits. In qualitative terms, however, the primary components of social benefits appear to be:

1. The increase in human capital and its consequent impact upon development of the area (in this instance, California).

2. The decrease in public costs for crime prevention, welfare payments, and other such activities as a result of better, more widespread education.

3. Increased tax revenues that result from additional lifetime earnings attributable to higher education.

4. The growth in the existing store of knowledge which results from research in conjunction with instruction.

5. Advantages arising from the informal education of children conducted by better-educated parents.

6. General increases in the ability of citizens to communicate through the various media. Effective communication of information is necessary for the operation of a market economy and the maintenance of a political democracy.

7. Increases in cultural attainment and effective participation in the political process. Also cited in this connection

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[1] All footnotes are located at the end of this paper.

are increased participation in charitable organizations and civic affairs.

Public support of higher education is provided in part to realize such social benefits. In addition, public support is also necessary (1) to correct for difficulties individuals face in evaluating the merits of higher education, and (2) to provide the means for increasing economic and social opportunity for all citizens.

The individual faces considerable risk in his decision to invest in higher education. Rates of attrition in higher education are significant. Even if a student does finish his education success is not certain. (In 1967, for example, one-third of all college graduates earned less than the average high school graduate; 45 percent of those with five or more years of college actually earned less than the average individual with only four years of college.)[3]

Finally, individuals possess only partial information regarding the career opportunities open to them as a result of a college education. Such uncertainty and lack of information make it difficult, if not impossible for many individuals to reach a rational decision regarding the merits of continuing their education beyond high school. Public support of higher education aids in reducing the level of risk facing the individual and his family in making this decision.

Public support of higher education is also one means whereby government may correct for inequalities in the level of economic and social opportunity afforded its citizens. It is hoped that the provision of equal educational opportunity will result ultimately in a more equal distribution of economic and social opportunities for all citizens.

C. COMPARISON OF COSTS AND BENEFITS

It is possible to estimate the costs of higher education, both public as well as private. Further, if we assume that the existing relationship between public and private costs have resulted in an appropriate amount of education, then it may be possible to gain some idea of the relationship of private and social benefits as each is implicitly valued in the decision-making process.[4]

1. Private Costs

The cost to the student and his family is made up of three somewhat distinct components:

a. Subsistence costs for such things as room, board, transportation, and personal expenses which are in excess of those he would normally incur if he were not attending an institution of higher education;

b. Direct costs of tuition and fees, books and supplies; and

c. Earnings an individual must forego if he is to attend college as either a full or part-time student.

While subsistence costs vary, it is estimated that at both the University and State Colleges the average cost for nine months' attendance during 1969-70 is $1,900. It has also been estimated that costs for students who live with their parents average $500 less per year.[5] Thus, if a student does not live with his parents there are some subsistence costs facing the individual which are supplementary to the normal costs he would incur if he were not attending an institution of higher education. These costs are presumably less than $500 on the average since the majority of students in both segments do not live at home while attending college.

Direct charges for tuition and fees and books are more specific. Allowing $100 for books and supplies, direct charges to students (other than those in the health sciences) during 1969-70 would average:

University	$433
State Colleges	$232

The value of foregone earnings, the third component of the private cost, is much more difficult to determine. Any such calculation is, at best, an approximation based upon an individual's age, level of education, and region of residence.

Utilizing income reports issued by the U.S. Department of Commerce for 1967, earnings were derived by adjusting base incomes for age, educational level, unemployment rates, and accounting for the fact that even full-time students may be gainfully employed while in attendance.[6] The results are as follows:

	Annual Foregone Earnings (1969-70 dollars)
Potential undergraduate	$4,200
Potential graduate	7,300

Obviously, these are not "out-of-pocket" costs. However, foregone earnings are a significant factor in an individual's decision to attend college. This would seem particularly true for the low income household where loss of potential earnings may mean an extreme hardship on the family.

In summary, the average private costs for an individual attending the University during 1969-70 are estimated at $4,800 for an undergraduate and $7,900 for a graduate student. For an individual attending a

State College, the total private costs are $200 less at both levels because of the lower students fees.[7]

2. Public Costs

The relevant public costs may be derived for enrollment-related expenditures per student, exclusive of research and public service outlays.[8] Both capital and current costs must be included. Adjusting for the differential costs of graduate and undergraduate instruction, the following per student expenditures from state funds are estimated for the public four-year segments during 1969-70:

	Undergraduate	Graduate
Operating Costs	$1,460	$3,030
Capital Outlay	340	1,440
Total	$1,800	$4,470

3. Total Costs

By combining the above estimates with the earlier calculations of private contributions, the approximate relationship between private and public costs at the public four-year segments can now be examined:

Undergraduate	
Private cost	$4,600
Public cost	1,800
Graduate	
Private cost	7,800
Public cost	4,470

Several aspects of these relationships should be noted. The private investment in a higher education is substantial even under the existing "tuition-free" policy.

At both the undergraduate and graduate levels, the private share of total cost is significantly greater than the public share or subsidy. These results imply that under existing policy the private returns from a higher education would appear to be assigned an implicit value exceeding that assigned to the social benefits and perhaps rightly so.

On the one hand, the existence of significant private returns suggests that, in general, instruction should not be provided entirely free of cost to the individual. It should be pointed out that both the University and the State Colleges currently assess students a nominal charge for instruction. The University Registration Fee contains $27 for laboratory fees and the State College Materials and Service Fee includes $41 for instructional expenses. The expenditures from both these charges are for purposes that are defined in the Master Plan as tuition supported.

On the other hand, under existing policy the individual and his family make a substantial investment and, in fact, assume the major share of the cost of his higher education. If student charges are to be increased, it would seem that such increases would necessarily be moderate in nature.

Of the options presented to the Council, therefore, the option calling for charges to fund only program improvements over and above 1969-70 levels of State support most closely approximates a "moderate" increase. Increases designed to further displace public support, in this context, clearly would be less preferable.

D. OTHER CRITERIA FOR SETTING CHARGES

In the absence of other information, the cost-benefit criterion above may not be sufficient in determining student charges. Costs of higher education are generally known, although even here the precise impact of foregone earnings as a valid cost to the student is not entirely clear. More important, however, there presently is no way to measure the social benefits, and while the private benefits, in terms of additional lifetime earnings, have been estimated, the results do not appear sufficiently precise as to be the only basis for determining student charges. Therefore, more pragmatic criteria may also be utilized in making decisions on adjustments in student charges.

The existing policy criteria for setting student charges in California are described below along with other pragmatic criteria: (1) following the nationwide pattern of student charges, (2) charging an arbitrary portion of the costs of enrollment-related operations, (3) relating the public support of higher education in some way to the State's economy, and (4) raising needed revenues in the face of decreasing public financial support.

1. Existing Policy

The basis for existing policy on student charges in California's public four-year institutions is that such education shall be "tuition free," insofar as tuition is defined as student charges for teaching expense. Other student fees are charged to support certain noninstructional services designed to maintain the well-being of students. It is believed that such services should be provided at no cost to the taxpayer. California appears to be unique among the states in its rigorous adherence to this distinction between tuition and fees and in its advocacy of "tuition free" public higher education. (See Appendix B for the stated student charge policies as contained in the Master Plan, current Council policies, and existing segmental practices.)

As noted, however, a nominal tuition _is_ currently charged in both of California's four-year public segments. The University Registration Fee includes $27 for laboratory fees, while the Materials and Service Fee in the State Colleges includes $41 for instructional expense. The allocations of both fees are for purposes that are defined in the Master Plan as tuition supported. In addition, there is an indeterminate amount of indirect operating and capital cost involved in noninstructional services that is supported by the general taxpayer.

Finally, student charges at the University and the State Colleges are, in part, used to provide and administer student financial assistance grants. While not in explicit contradiction of existing policy, the provision of financial assistance for students from student charges would appear to be inconsistent with those arguments used to justify the role of government in providing for equal educational opportunity.

Existing student charge policies and practices in California, therefore, do not appear to be based upon particularly consistent criteria. The distinction between "tuition" and fees may not even be relevant. The relevant criterion would appear to be whether or not an activity contributes to the private, as opposed to the social, returns associated with higher education. Some portion of the private returns should be incorporated in the student charge. Whether the charge is termed "tuition" or "fees" or "tuition and fees" does not seem important. What is important is that the student charge be conceptually distinct from the public subsidy.

2. Nationwide Patterns in Student Charges

There are other pragmatic, and possibly more useful, criteria that may be used in the determination of student charges. It may be assumed, for example, that charges in similar institutions outside of California reflect a set of policy decisions that, in the aggregate, constitute an appropriate provision of support of higher education. In this context, California's student charges may be compared to those of comparable public institutions in other states.

Student charges in the University of California (UC) are compared in Appendix C to those of public institutions in the Association of State Universities and Land Grant Colleges (ASULGC) for the seven-year period, 1962-63 through 1967-68. (See Appendix C, Tables 1, 2, and 3, and Figure 1.) Until 1968, increases in UC charges were comparable to those of other public universities. UC ranked 80th of the 94 land grant institutions in student charges during 1962, and 80th of the 98 ASULGC institutions by 1967-68. The Registration Fee increase in mid-1968 increased UC's rank to 63rd of 104 institutions during 1968-69. If historical trends continue, an increase in student charges of $60 per student would bring UC into approximate equivalence with the median (charge) institution of the ASULGC. Obviously, any other standard of measurement, such as the first or the fourth quartile rank, might be chosen for comparison.

The California State College student charge, which is quite low in comparison to the above group, may be compared to those of institutions in the American Association of State Colleges and Universities. (See Appendix C, Tables 4, 5, and 6, and Figure 2.) During 1968-69 the student charge in the State Colleges ranked 218th among the 225 institutions in the Association.

It is not certain what conclusions can be drawn from these data. Equating California student charges with some national "norm" does not appear to have any specific logical connection with the desired amount of higher education in California.

3. Educational Costs

The student charge may be set so as to represent a certain, perhaps fixed, portion of the costs of student-related expenditures at the institution.[9] The consequence of existing policy in California is such that student charges comprise more than 12 percent of the average costs of such expenditures at the University and about 6 percent of the average costs in the State Colleges:

	UNIVERSITY OF CALIFORNIA	CALIFORNIA STATE COLLEGES
Estimated average enrollment-related current costs per student (1969-70)	$2,442	$1,676
Basic student charges	300	102
Percentage	12.3%	6.1%

Basing student charges on educational costs alone has the disadvantage of totally neglecting the impact of the private and social benefits that result from higher education. In addition, basing student charges only on the direct cost of education neglects the costs of those earnings that the student must forego while in attendance. Certainly at the graduate level, and probably at the undergraduate level, the cost of foregone earnings substantially exceeds the direct cost of education. If foregone earnings are included in the total cost along with certain subsistence costs the individual would not otherwise incur, it is likely that the student and his family actually support more than two-thirds of the total educational costs under the existing "tuition-free" policy.

Finally, the cost of instruction at various levels is decidedly different, *e.g.*, the cost of graduate vs. undergraduate instruction. The question of different charges by level of instruction inevitably must be raised.

4. Revenue Producer

If, for whatever reason, State support is reduced and it appears desirable to maintain the quality of education (possibly as measured by the trend over time in constant expenditures per student) then increases in the student charge are one obvious vehicle for raising the revenue.[10] In this instance, the student charge may be tied to some specific deficiency caused by the decrease in State support. The resolution calling for this study cited the apparent deficiency of capital funds currently available for higher education.

The University has studied the problem of capital funding and finds that, assuming an initial State support level of $45 million annually and adjusting all factors for inflation, the additional capital outlay needs of the general campuses could be met through the year 2000 by a charge of $200 per student per year after adjusting revenue for appropriate student financial assistance. This can only be accomplished, however, if a debt instrument or bond funding is utilized. While a similar analysis is not available for the State Colleges, their position is similar to that of the University as a consequence of reduced public support for capital outlay.

Trends in budget requests and expenditures per student are examined for both segments in Appendix D. There has been little discernible change in the overall trend of State College operating requests and price-adjusted expenditure levels over the last decade. The University, in contrast, has experienced an apparent downward shift during the past three years (as compared to previous trends) both in the portion of its operating requests that have been approved and in its price-adjusted expenditure levels per student. Both segments have experienced a dramatic decline in State support for capital outlay. For the 1969-70 fiscal year, final appropriations covered only about one-third of capital requests.

5. Comparison with the State's Economy

It is often argued that public support of higher education should be examined in the context of the general economic growth of the State. Using such data, California may then be compared with other states on the basis of "effort" and "ability."

The most recent, available data of this nature were contained in a Council study, No. 68-11. It was noted that during 1965-66, California ranked fifth among all states in per-capita financial ability. However, California ranked relatively low in general tax effort--outlays in relation to ability--and ranked thirty-seventh in the outlay of state and local taxes specifically for higher education. The proportion of total state expenditures allocated to higher education in California--11.7 percent--was found to be significantly below the national average of 15.2 percent, resulting in a "ranking" of thirty-seventh according to this measure.

The relative impact of higher education on economic growth may also be examined over a period of time. The following growth rates were recorded by California for the twelve-year period, 1958-59 through 1969-70. (See Appendix E, Table 1.)

	Average Annual Growth Rate (%)
Total State Population	2.9%
Total State Personal Income	7.4
State Personal Income Per Capita	4.4
University and State College Enrollment	10.2
UC and CSC Enrollment-related Expenditures	16.4

The expansion of higher education as contrasted to general State growth is obvious. During the period, as one might expect, State expenditures for the current operations of the four-year systems increased from .27 percent of total State personal income in 1958-59 to .65 percent of personal income by 1969-70. In addition, the share of the State budget for current operations devoted to the University and State Colleges rose from 6.1 percent to 10 percent, exhibiting an increase in every year during the period, except 1967-68. There is little doubt that similar trends occurred in other states during the same period.

Such comparisons of "effort and ability" may be misleading. The fact that California exhibits high ability and relatively low effort may simply mean that due to operating economies, some of which may be inherent in large scale operations, California is able to accomplish its objectives more efficiently than other states. However, the measures used in this connection are extremely deceptive. An apparently "able" state may be over-burdened with abnormal requirements for public services other than higher education and, therefore, not be quite so able.

On the one hand, it is possible to point to California's high financial ability and low public tax effort for higher education in relation to other states. On the other hand, student charges are lower and the state share of costs higher in California in relation to systems of higher education in other states. (See Appendix E, Tables 2 and 3.) The use of such comparisons as criteria in the determination of student charges does not appear to be particularly helpful.

E. SUMMARY

The best theoretical method of determining the appropriate distribution of student and public support of higher education is not completely feasible because of the lack of information and the problems in measurement associated with determining the cost, in terms of foregone earnings and direct costs, and the benefits, both social and private of higher education. Therefore, additional, pragmatic, criteria need to be employed, based possibly upon such considerations as (1) nationwide patterns of students charges, (2) charging an arbitrary portion of the costs of enrollment-related operations, (3) relating the public support of higher education in some way to the State's economy, and (4) raising needed revenues in the face of decreasing public financial support.

The first three considerations bear no apparent logical connection to the "appropriate" distribution of State and student support of higher education in California. The fact of decreasing public financial support may be the most compelling basis for setting student charges. In the State Colleges, these may be the same or less than those for University students, depending upon which criterion or set of criteria are chosen as a basis for determining the State and student shares. None of the criteria appears to justify a State College charge exceeding that of the University.

The specific options suggested are as follows. Increased charges to:

1. Fund program improvement over and above the existing (1969-70) level of support--either in general, or for specific areas; or
2. Displace State support of the existing level of program expenditures that exists during 1969-70; or
3. Achieve some combination of both, i.e., improvement in current expenditure levels and displacement of State funding.

No increase in charges:

4. Continuation of existing "tuition-free" policy.

The existence of significant private returns to a student from his higher education suggests that instruction should not be provided entirely free of cost to him. It is noted that currently both the University and State Colleges assess students a nominal charge for instruction. The University Registration Fee contains $27 per year for laboratory fees and the Materials and Service Fee in the State Colleges includes $41 per year for instructional expense. The expenditures from both these charges are for purposes that are defined in the Master Plan as tuition supported.

Under existing policy, however, the individual student and his family make a substantial investment in, and, in fact, assume the major share of the real cost of higher education. Consequently, if student charges are to be increased, it would seem that such increases would necessarily be moderate in nature. Of the options presented to the Council, therefore, the option calling for charges to fund only improvements (over and above 1969-70 levels of State support) most closely approximates a "moderate" increase. Increases designed to further displace State support, in this context, clearly would be less preferable.

CHAPTER III

USE OF STUDENT CHARGES

Council consideration of the use to which student charges are to be put may encompass several concepts simultaneously. On the one hand charges may be used for certain expenditures:

1. Capital outlay; or
2. Current operations; or
3. Both.

In addition, charges may be used in conjunction with debt instruments, for the retirement of bond obligations, or simply as a part of the total current financing on a "pay-as-you-go" basis.

On the other hand, any one or several of the following may be supported, in whole or in part, from student charges:

1. Instruction.
2. Student services.
3. Student aid.
4. Research.
5. Community services.

For example, student charges could be allocated solely to construction of instructional facilities; or they could be devoted to facilities and current operating costs of instruction. As an alternate, the income from the charges might be used simply as a source of income for the general fund.

A. OBJECTIVE OF USE

The basic question is whether student charges shall be used for current operations,capital outlay, or both. Many of the considerations here relate to the question of debt-instrument use. If charges are used for current operations, they support the purchase of services - such as teaching and other institutional support - that are used up during the same year. In contrast, if charges are used for "pay-as-you-go" capital outlays then students are paying for the construction of physical facilities that will be used primarily by other students during the future life of the building.

Data for other states indicates that student charges are much more frequently used for current operations than for capital outlay. During 1965-66, for example, only 3 to 4 percent of all student charges supported capital outlay, while the remaining 96 to 97 percent supported current services. (See Appendix F, Table 1.) Only the construction of student centers, residence halls, and certain student-service facilities at the University have been supported by student charges in California.

1. Debt Instruments vs. Pay-As-You-Go Financing

Traditionally, California has used debt financing for construction of capital facilities for higher education. At the same time, current revenues have been used to support current operations. Recently, however, the State has moved in the direction of using current revenues -"pay-as-you-go" support- for capital outlay. Student charges have not been used in California in conjunction with debt instruments except, as noted above, to amortize the costs of student centers and certain student-service facilities at the University.

a. Arguments for the Debt Instrument: Several arguments may be advanced for using the debt instrument to support public activities, aside from its usual use as a stabilization tool by the federal government. Uneven trends in the demand for higher education, which are characterized by enrollment peaks and valleys, render current financing unfeasible in some cases. For example, the demands upon institutions of higher education are currently at a relative peak to accommodate the postwar baby boom. The elasticity of the State tax structure is approximately proportional in that revenues increase roughly in a one-to-one relationship to income. The growth in the tax base is associated primarily with an age group in the population that is growing less rapidly than those who require public services. As a consequence, there may be periods during which the revenue supporting the current and capital operating budgets is unable to keep pace with needs. During such periods, the real levels of higher education programs might be maintained through the use of bonds (borrowing), much as in the case of traditional capital budgeting.

Most of the social benefits from higher education accrue to society long after instruction has been completed. Payments of interest and principal on state bonds that are spread over a period of twenty-five years, for example, fall upon those taxpayers who will derive the principal social benefits from instruction carried on at the beginning and during that repayment period.

A slightly different argument may be utilized in connection with the private benefits of higher education. In this case, if student charges are to be used for capital facilities, the financial arrangement most closely related to benefits received is the debt instrument whereby students, in effect, pay rent for use of such facilities.

b. Arguments Against the Debt Instrument: The primary argument against the use of debt instruments is the implied loss of future capital that results when private investors participate in public projects rather than in private capital investments. This augument is somewhat mitigated if the public expenditure is for capital investment, i.e., for physical facilities. (Indeed, it can be argued that educational expenditures for current operations, as well as for capital facilities, may be classed as an investment in human capital.)

In addition, it is possible that some net flow of wealth from California to other states results as a consequence of bond purchases by people residing outside California. In this connection, it may be noted that approximately two-thirds of principal and interest payments on California's general obligation bonds are made through the Treasurer's field offices located outside California. A secondary consequence of debt-instrument use is a possible redistribution of income from the less wealthy (general-fund taxpayer or student and his family) to the more wealthy (institutional investors).

c. Feasibility of Pay-As-You-Go Financing: A more important consideration, however, may be the feasibility of using pay-as-you-go as opposed to debt financing instruments in various situations. As noted, a recent study of University capital requirements to the year 2000 indicated that a flat $200 charge,accompanied by student aid, could feasibly support such needs only, however, if utilized in connection with a debt instrument. The method proved to be infeasible if utilized on a pay-as-you-go basis. Therefore, besides the logical basis for debt instruments, there are also arguments regarding the feasibility of a pay-as-you-go approach.

d. The Debt Instrument in New York: A particularly interesting example of debt financing is the method by which the capital construction is funded for the State University of New York. While general obligation bonds issued by the **state** are used to support land acquisition and health service facilities, the construction of dining halls and academic facilities is supported by bonds issued by the State Housing Finance Agency. The principal and interest payments on such bonds are, in turn, supported by"annual rentals" comprised of (1) student tuition, (2) hospital and clinic patient fees, (3) food service fees, and (4) other miscellaneous fees, all of which are administered through the University Income Fund. (A detailed statement of the program is attached in Appendix G.)

The amount of bonds issued in any fiscal year is limited by the debt-service requirements on all issues outstanding, which are met by the income from tuition and other fees deposited in the University Income Fund during the preceding year. For example, debt service requirements for 1969-70 are estimated at $56.4 million; total income is estimated at $98.6 million. Student tuition and fees will account for 47 percent of this income. The $43.2 million difference that is not used for debt service will be used to support the operating budget. The program has been in effect since 1963 with an unchanged schedule of charges to resident students of New York.

B. SUPPORT OF FUNCTIONS

Any one or several of the following functions may be supported in whole or in part from student charges: (1) instruction, (2) student services, (3) student financial aid, (4) research, and (5) community services.

1. Instruction, Research, and Student Services

As noted earlier, California policy has restricted the use of student fees to student services, with charges for instruction levied only upon students taking extension work, some adults in Community Colleges, nonresident students, and resident students in certain professional schools of the University. (See Appendix B for current policies and listings of University and State Colleges charges.)

In principle, resident student charges have not been used for instruction in California and taxpayers have not been expected to pay for certain student services. In practice, however, both consequences have occurred to a limited extent. Student charges have not been used in California for organized research or for specific community services. National data indicate that student charges are only rarely used for organized research. The use of charges for organized activities is more frequent, though it varies markedly from state to state. (See Appendix H.)

2. Financial Aid

Recent Council policy regarding the use of student fees did not resolve the issue of the use of student charges to provide for financial assistance to other students. Currently, $70 of the $300 University Registration Fee is used for grants and the administration of grants. In the State College system, $10 of the $102 materials and service fee is used for administering grants, though none of the fee is used for the actual grants themselves. During 1965-66, sixteen of forty-eight states reported the use of student charges to provide student financial aid, the use ranging from 4 to 15.2 percent. Of the total charge, the average use among such states was 5.5 percent. It is likely that the University's use of approximately 23 percent of its student charge for student grants-in-aid is one of the highest in the nation.

The normal sources of student financial aid are discussed under "techniques" below. The arguments for State support of this function have already been noted. In essence, equality of economic and social opportunity, which may be accomplished in part by equality of educational opportunity, is the basis for financial assistance to those students who cannot pay the cost of education. This activity, which serves to redistribute wealth among either this or future generations, is usually cited as one of the legitimate reasons for government intervention in higher education. Since student assistance seems directed largely to the social, as opposed to private, benefits of education, it may be argued that the State should support such an activity.

3. Community Service

Student charges are not frequently used to support specific community services except possibly where such services, as a result of organization policies, encompass programs of continuing education.

C. RESTRICTED FUNDS

Another aspect of use concerns the "general fund vs. restricted-fund" argument. It is often argued that the only way to insure that an income source is used solely for its "designated" purpose is to administer the income through a restricted fund, thereby separating it from revenues used for general purposes. In practice, however, the relative distribution of State and student support is more often determined simply by the size of the final State appropriation than by the technical characteristics of fund management.

As an alternative, specific designation of the use of income from student charges could be made. In addition, care could be taken not to increase the budget of, say, organized research when realized student charges exceed estimates, or not to decrease State support simply because revenues from student charges are growing faster than the services for which they have been designated. (In such a case, charges should be decreased). In this way, general, rather than restricted or special, funds could be used in the administration of student charges.

D. SUMMARY

Policy on the use of student charges could avoid specific reference to any particular use or function, simply assigning possible revenues to general purpose use. This approach, however, seems to avoid some important questions of equity and feasibility in connection with the student charge. Therefore, it would seem that policy regarding the use of charges should indicate an explicit functional use and contain specific reference to designation by object of expenditure (e.g., capital outlay vs. current operations) and possibly indicate a preference for either a pay-as-you-go approach or debt instruments.

If charges are to be used for capital facilities, the arrangement most closely related to the private benefits received is bond financing. Use of bond financing may also guarantee that expenditures for certain purposes from a given charge are sufficient to compensate for uneven trends in the demand for higher education.

A pay-as-you-go arrangement would put students in the position of purchasing services (of a capital nature) that would be used by other students for perhaps three to four decades after the original purchaser had graduated. In addition, student charges would be higher and might well fluctuate radically from year to year if based upon an as-needed, pay-as-you-go arrangement.

The usual argument in opposition to bond financing is the implied loss of future capital that results when private investors place their funds in public rather than private capital projects. This argument is virtually negated if the public expenditure itself is for capital investment, *i.e.,* for physical facilities. (Indeed it could be argued that educational expenditures for current operations, as well as for capital facilities, represent an investment in capital--in this case human capital.)

Secondary objections to the use of bond financing are based upon a possible flow of wealth to bond purchasers outside California and a possible redistribution of income from the less wealthy (general-fund tax payer or student and his family) to the more wealthy (institutional investor).

According to the description of the private and social benefits, it seems generally that organized research and public service may be appropriately supported by the public sector and by identifiable users, respectively. On the other hand, a portion of instruction and student services, i.e., enrollment-related expenditures, is an appropriate use for expenditures from student charges.

The use of student charges to provide student financial aid may not be valid. Recent Council policy regarding the use of student fees did not resolve the issue. Currently, $70 of the $300 University Registration Fee is used for grants and the administration of grants at the University. In the State College system, $7 of the $102 Materials and Service Fee is used for administering financial aids, though none of the fee is used for the actual aids themselves.

The arguments for State support of student financial aid are substantial. In essence, equality of economic and social opportunity, which may be accomplished in part by equality of educational opportunity, is the basis for financial assistance to students unable to afford the cost of education. This activity, which serves to redistribute wealth either among this or future generations, is usually cited as one of the legitimate justifications for government intervention in higher education. Student assistance seems directed largely to the social - as opposed to the private - benefits of education. Consequently, it may be argued that the State rather than student and his family should support this activity. (If the State were to assume responsibility for those financial aids currently supported by student charges, approximately $8.5 million - $7 million, University; $1.5 million, State Colleges - in General Fund support would be required during 1970-71.)

In Chapter II, the use of student charges to replace decreasing State Support was noted as, perhaps, the most operational criterion for setting student charges. In this regard, there has been a significant decline over the past three years in public support for capital outlay at the University and the State Colleges. The obvious need for a source of income to provide for capital outlay funds that are no longer available, coupled with the argument for a moderate increase in charges (in Chapter II), suggest a policy of: increased charges for (1) funding improvements over and above the level of existing (1969-70) State support, with such charges to be used for (2) capital outlay purposes.

CHAPTER IV

TECHNIQUES IN ADMINISTERING STUDENT CHARGES

Another policy determination that may be reached independently of the preceding issues of distribution and use is the technique by which charges are to be levied.

The following alternative techniques are discussed.

1. Student charges in conjunction with a comprehensive loan program. Examples of this alternative are the "educational opportunity bank" proposed by the National Panel on Educational Innovation, and the "learn, earn, and reimburse" proposal of California Assemblyman Collier.

2. Graduated student charges based upon financial ability. Examples of this alternative are the proposal by California Assemblyman Monagan and the tuition policy employed by Michigan State University until recently.

3. A "flat" student charge in conjunction with student financial aid for those unable to meet the additional cost. This is the most commonly used technique in higher education.

4. A differentiated student charge in conjunction with student financial aid. The differentiated charge would be based upon either a benefit or cost concept, *i.e.,* by field or level of instruction.

5. Voucher system. Under this system, the student charge is deducted from the cost of education. The remainder, which constitutes the State support, is given to the student via a "voucher" and he then selects the institution he wishes to attend.

The student charge may be set at any level under any of the techniques. A basic difference among techniques is the way in which financial assistance is provided for students who cannot afford the increased charge. In addition, the cost of administering a particular technique may be examined. The main criteria involved in the choice of technique, therefore, are efficiency and equity. Some one or several of the techniques may be less expensive to administer than others. At the same time, considerations of equity for those who must bear the burden of the increased charge are also relevant to the choice of technique. Each of the techniques is discussed below, under the assumption that student charges are to be increased. The opposite policy, a decrease in student charges, does not necessarily have opposite implications in each case.

A. COMPREHENSIVE LOAN

The burden upon the household (student and his family) is increased by an increase in student charges. Under the "comprehensive loan" technique the implied objective is to shift this financial burden to the student, rather than to his parents, as is generally implied by the other techniques. For example, the comprehensive loan proposal of the Educational Opportunity Bank is predicated upon "making students responsible for their own education".

The essential difference between this technique and the others is that the additional financial assistant required by an increase in student charges is met entirely by loans rather than by a combination of parental support, work, loans, grants, and student savings, the elements that constitute the usual financial aid "package".

There are two distinct types of comprehensive loan programs. One employs a fixed repayment (bond-type) method. A current example of such a program is the "learn, earn and reimburse" proposal of California Assemblyman Collier. Under this plan student charges could be deferred by individuals who sign notes for the cost of instruction. The principle and interest on these notes would be repaid according to a highly progressive schedule of payments that are based on annual income, marital status, and type of degree earned.

The second type of loan program involves a contingency repayment (stock-type), of which the Educational Opportunity Bank Plan is an example. The student may borrow the amount needed to cover tuition, fees and subsistence, including room and board charges. In exchange for the loan, the borrower pledges a given percentage of his annual gross income for a fixed number of years following graduation. The panel that recommended this program estimated that such a bank (at the federal level) would be self-sustaining if, for every $3,000 borrowed, it charged the borrower 1 percent of his annual gross income for thirty years.

1. Concept

In concept, such loans amount to borrowing for investment in human capital. A primary justification for publicly sponsored loan programs is that the capital market for higher education is at a disadvantage relative to the market for physical capital. This is due to several factors:

1. Risk to the lender: There are no tangible assets the lender may "repossess" in case of default by a borrower, the student.

2. Uncertainty: For the individual, there is a great deal of uncertainty as to his ability to complete his education, and therefore uncertainty as to the level of his future earnings.

3. Tax treatment: Human capital depreciates, but it is not given treatment similar to that afforded material capital for tax purposes, i.e., the machine is taxed upon income less depreciation.

4. Rates of return: The difference between social and private benefits from education result in a difference between social and private rates of return. Because of this, there is a less-than-optimal amount of investment funds available for higher education borrowing.

2. Other Considerations

The loan technique involves certain other considerations. Low-income households generally have more difficulty obtaining loans than high-income households because of a smaller promise of future income and a lack of present capital assets as collateral. In addition, low-income households are generally less well informed regarding investment and borrowing opportunities.

The use of low-interest rates for higher education loans, i.e., the use of public subsidy to provide for the social benefits, results in a shift of income from the taxpayer to the student borrower. Data indicate that the student borrower is more likely to be from a high-income household than is the general taxpayer. On the other hand, loan programs do provide greater uniformity in borrowing opportunities for students, since they partially eliminate the risk attendant to the individual borrower.

Another difficulty with the loan technique is the treatment of women. The basic problem lies in determining the point at which a woman leaves the paid-labor force. The Educational Opportunity Bank attempts to solve this problem through the use of a "percent of family" income in conjunction with the opportunity of separate filing. In this regard, the Collier proposal described below does not discriminate against marriage but does include disadvantages for working wives.

In all loan programs the full impact of loan repayments is generally not felt for several years after initiation of the program. Under the Educational Opportunity Bank proposal, revenues would be forthcoming at the time the first borrowers graduate.

3. Collier Proposal

The revenue implications of the Collier proposal are less clear. Specific language in the bill results in several options being available to households:

1. The household may decide to forego a loan and pay currently.
2. The household, while able to pay currently, may execute a note. The note is repaid immediately following graduation through the form of a contribution to the institution, thereby avoiding interest repayment and reaping tax benefits.
3. The household may execute a note, and either the student or the parents repay the principal and interest according to the repayment schedule stipulated.

No data are available to indicate which of these alternatives will be preferred by any particular household. Consequently, accurate estimates of revenues to be derived from the Collier plan are virtually impossible. One may assume that a certain number of households are sufficiently uninformed about the long-run implications of various investment options that they would participate on a pay-as-you-go basis. It cannot be determined whether this latter group represents 2, 5, 10, or 15 percent of the total enrollment in higher education.

The incidence of immediate repayment on notes approximately four to five years after borrowing likewise cannot be determined. Finally, it is possible to estimate the distribution of earnings subsequent to graduation and thus approximate the repayment time for those who might repay under the normal schedule. However, one cannot determine the size of this group.

These options favor high-income groups, who possess the financial ability and information on investment alternatives not generally possessed by low-income groups. As a consequence, a financially able household might refrain from current payment and utilize these loan funds for investments or other purposes. Some redistribution of income from low- to high-income groups may result.

4. Summary

The contingency repayment loan plan, represented by the Educational Opportunity Bank, is based on the concept of charging students for the value of human capital developed, as measured in future earnings.

Since repayment is dependent on future earnings, this plan may be more acceptable to low-income households than the fixed repayment plan.

The fixed repayment plan of the Collier bill is based solely upon the costs of instruction and neglects the private benefits of higher education as possibly measured by future earnings. The fixed repayment loan discourages low-income groups from borrowing and may act to reduce enrollments in certain occupational fields that, while characterized by low annual incomes, are thought to contribute significantly to society; i.e., social work, teaching, etc.

Contingency repayment loans possess relatively few administrative problems. Borrowers simply repay their notes in the same way they pay their income taxes. Compliance could be part of the more general State tax compliance operation. Fixed repayment loans pose numerous administrative problems. A number of these problems are explored in Appendix I , which indicates the significant costs involved, such as executing notes, storing loans, and collecting loans.

In either type of loan, the emigration of individuals from California to other states would seriously hinder the collecting of loans and, in many cases, would result in the cost of collection exceeding the amount of repayment due.

Finally, two other potential problems in the Collier proposal can be cited: an extremely progressive repayment schedule, and the inherent difficulty of measuring the difference of the cost between graduate and undergraduate instruction.

B. GRADUATED CHARGE

This technique involves a differential student charge levied according to the household's ability to pay. The measure of that ability most often used has been family income. This technique is similar to the others in that it is used in conjunction with an aggregate increase in student charges. In contrast to the comprehensive loan technique, the graduated charge places primary reliance on parents for private support rather than on students.

The graduated charge, in addition, replaces the traditional financial aid program by providing direct grants to individuals who need financial assistance, rather than using loans, work, etc.

1. Monagan Plan

Two current examples of the graduated charge are available. First, there is the graduated resident-fee plan proposed by Assemblyman Monagan to the California Legislature during the 1969 Session (Assembly Bill 468).

Students who are not self-supporting and report "adjusted gross [family] incomes" in excess of $10,000 are subject to a fee schedule such as the following:

Income	Fee
$10,000 - $10,500	$ 24
$10,501 - $11,000	48
.	.
.	.
.	.
$40,001 - $45,000	750
$45,000	798

There is a further provision to account for a household with more than one dependent in college.

Certain students are exempt, such as veterans and self-supporting students who report incomes less than $10,000. Self-support at the undergraduate level is defined as not being claimed as a dependent, receiving no support from parents or guardians, and not having lived with parents or guardians for at least one year, exclusive of campus residence. At the graduate level the self-supporting individual is defined as one who contributes at least $1,500 annually for his education and who is not claimed as a dependent.

2. Michigan State Plan

Second, there is the "sliding-scale" fee plan used during the past two years at Michigan State. This plan was unlike the Monagan proposal in that the official fee was a flat charge of $368 for undergraduates and $388 for graduates. To be eligible for a lower fee, a student had to apply for a fee reduction, which was based on his parent's gross annual income according to the following schedule:

Annual Family Income	1968-69 Fee
1. More than $18,400	$368
2. $12,300 to $18,400	2% of family income
3. Less than $12,300	$246

Students receiving scholarships of $190 or more were not eligible. When the plan was initiated in the fall of 1967, graduate students were not eligible for fee reductions and there was no provision for families with two or more students. These situations were subsequently corrected.

The sliding-scale plan is being discontinued by Michigan State this fall (1969). The established flat fee will be continued but the provision for a fee reduction is to be replaced by increased use of the traditional financial aid "package." The increase in the amount of financial aid resulting from the flat fee will approximate the amount of indirect aid represented by the previous fee reductions.

The major difficulty in administering the plan is reported to have been in making decisions on fee reductions for students already receiving scholarships or other financial aids. Concern about "invasion of privacy" in requiring income information proved to be somewhat less troublesome.

3. Administering the Graduated Charge

Several alternative procedures may be used to administer the graduated charge. A recent study by the University of California suggested the following general procedure:

> An application for fee determination would be made available to each student. The application would provide the basis for determining exemption, if any, (certain veterans, nonresidents, etc.) and would be accompanied by a form on which the student or his parent (or other person responsible for his support) would enter the amount of adjusted gross income appearing on the applicable State Income Tax form for the calendar year preceding the beginning of the quarter for which the fee is to be assessed and would certify to its accuracy. The fee would then be determined directly from the graduated fee table. It would be collected, together with the University Registration Fee and other compulsory fees, at the time of registration.

The procedural cost may be estimated by reference to the experience of Michigan State University. During 1968-69, Michigan State officials processed approximately 17,500 fee reduction applications at a total cost of about $55,000, or slightly more than $3 per application.

The graduated fee proposal is sufficiently similar to the technique employed at Michigan State that similar unit costs of administration would likely result. It should be noted, however, that the volume of fee determinations would be much greater.

The following distributions of enrollment are estimated for the University and State Colleges:[11]

	University	State Colleges
Non-residents	.10	.03
Self-supporting	.09	.26
Veterans	.11	.12
Taking less than six units		.20
Reporting less than $10,000 income	.23	.14
Reporting more than $10,000 income	.47	.25
	1.00	1.00

Under the graduated fee plan, therefore, about one-half of University and one-fourth of State College students would pay a fee. Only a small number of students would consider the fee reduction sufficiently nominal to forego applying for it. Most students would apply for reductions. It is quite possible that as many as 95 percent of enrolled students would request fee determinations in the State Colleges and the University.

Various estimates of the costs of administering the graduated fee in the two public segments are as follows:

Academic Year	University[12]	State Colleges[12]	State Colleges[13]
1970-71	$273,000	$603,000	$ 917,000
1971-72	286,000	667,000	948,000
1972-73	299,000	724,000	1,004,000
1973-74	314,000	784,000	1,061,000
1974-75	330,000	842,000	1,118,000

4. Equity Considerations

The use of financial independence and "adjusted gross income" as measures of ability to pay pose numerous difficulties.

The criteria for self-support are not extremely rigorous and result in substantial numbers of exemptions, particularly at the graduate level.

The use of adjusted gross income as an index of ability to pay ignores certain important variables: number in the household, assets, and extraordinary expenses. (Notably, only one-half of realized long term capital gains are even reported in adjusted gross income.) As a consequence, it is possible that some students reporting family income in excess of $10,000, but coming from large families with virtually no assets, may require financial assistance if they are to attend college. At the same time, students from small families reporting lower annual incomes, but with substantial assets, would not be charged even though better able to pay.

In addition, all financial aid under this technique is in the form of direct grants. There is no provision for the loans or working aid as part of the assistance to those unable to afford the fee.

A major problem in the administration of the Michigan State Plan was the handling of other types of financial aids received by the individual who applied for a fee reduction. This problem renders the consideration of equity that much more difficult and may well increase administrative costs, particularly if the traditional financial aid methods need to be invoked anyway.

C. FLAT CHARGE, WITH TRADITIONAL AID PROGRAM

This is the traditional technique whereby all students are assessed an equal charge. The charge is then adjusted by financial aid according to the student's financial ability and subject to the institution's resources. The result is that financing for the student's investment in higher education is not primarily of one particular form, such as the direct grant in the graduated fee plan. Rather, depending upon the degree of sophistication of institutional aid programs, packages of financial aid (which include three quite distinct forms: loans, grants, and working aid) are utilized.

1. Administering the Traditional Aid Program

The usual procedure is to determine first the costs of education. These include the student charge (tuition and fees) and subsistence - room, board, transportation, and other personal expenses. Costs are then adjusted to reflect the contribution that may be reasonably expected from the household. This contribution usually is based upon household income, assets, number in the household, and any extraordinary expenses. In addition, the household contribution is increased to reflect the student's summer earnings and personal savings. Any remaining difference between costs and household ability is made up by the institution, utilizing a financial aid package that includes grants, loans, and work in various proportions, depending both upon the individual case and the availability of each of these resources in the institution.

Ideally, this arrangement enables an institution to tailor its aid to individual needs. For example, an individual reporting moderate financial circumstances, but exhibiting only marginal scholastic ability, may be assisted with a package consisting primarily of loans plus direct grants. On the other hand, a very bright student from extremely low financial circumstances could receive a package made up primarily of a grant plus some working aid. The flexibility of the technique is readily apparent.

In practice, limitations on institutional resources may limit flexibility. Another administrative difficulty is that parents do not always contribute the amount of student support expected. Low income households often contribute more than is expected. Conversely, high income households very often contribute less. One possible solution to this problem is to provide loans as a form of aid to students whose parents do not provide the expected support, even though it is within their financial means. In this way the student is able to attend, but the appropriate portion of his financial support continues to rest with the private rather than with the public sector.

A comparison of financial aid distributed by institutions in California and elsewhere across the nation is shown below.[14]

Distribution of Institutional
Financial Aids
to Undergraduates

	University 1966-67	State Colleges 1966-67	Nationally 1967-68
Scholarships, grants	.30	.14	.44
Loans	.43	.52	.32
Working-aid	.27	.34	.24
	1.00	1.00	1.00

There appears to be a somewhat greater emphasis upon loans and working aid in California than in other states. At the same time, direct grants account for a greater share of aid "packages" elsewhere.

It is important to note that each type of financial aid is quite distinct. Low interest loans do, in effect, amount to a small public subsidy, but may deter individuals from low-income households who perceive a low promise of future earnings and lack present capital assets as collateral. Working aid, in contrast, involves no future obligation, but it generally should not be used for students of marginal scholastic ability. An added benefit of working aid results from a student being employed in a position directly relevant to his field of study, e.g., the teaching or research assistant. The third type of aid, the grant, based on either financial or scholastic ability, or both, generally involves no obligation other than attendance.

2. Administrative Costs

The cost of administering traditional programs of financial aid is based upon the number of individuals applying for assistance, the complexity of determining financial need, and the nature and amount of the aid available. In contrast to other areas of institutional administration, it is possible that significant economies of scale do not exist in this area, since even existing "need" cases presumably must be reexamined annually for changes in costs and in individual financial situations.

It is estimated that administrative costs of financial aid programs amount to some 5 percent of the actual aid granted.[15] It is also possible to estimate the financial aid required in the event of a flat charge that would provide revenues comparable to those of a graduated charge, i.e., $200 at the University and $100 at the State Colleges.

On the basis of these charges, the following administrative costs for the traditional financial aid program are noted:[16]

Academic Year	University	State Colleges
1970-71	$250,000	$443,000
1971-72	270,000	440,000
1972-73	290,000	531,000
1973-74	315,000	575,000
1974-75	345,000	618,000

D. DIFFERENTIATED CHARGES

This technique would first group students homogeneously on the basis of educational objectives - perhaps by subject field or academic program - and would then differentiate the charge according to the costs and benefits, both private and social, resulting from instruction in each field or program. The relative amounts of public support and student charge would be developed for each group accordingly. In conjunction with this determination, the student charge could be differentiated further according to criteria of financial ability that reflect differences in private demand. The latter consideration is in accord with the traditional aid program.

Differentiated charges have not been extensively used by institutions of public higher education. There are well-known exceptions, however. Charges to students enrolled in professional schools such as health sciences and law, are generally higher than charges to those enrolled in other curricula. This is currently the case at the University of California, where law students pay a registration fee that is $150 more than the regular student fee. In addition, an annual resident tuition of $250 is charged to students in medicine, $200 in dentistry, and $200 in pharmacy. In some institutions, graduate students are charged different and normally higher rates than undergraduates. The State University of New York, for example, charges resident undergraduates $425 per year and resident graduates $625.

Differentiating student charges on the basis of costs and benefits may be the most efficient method of pricing higher education. This approach is based on the premise that instruction in different fields at different levels constitutes distinctly different outputs, rather than on the more traditional premise that treats all instruction as a relatively homogeneous output.

The obvious difficulty in this technique is its practical application. Although relative costs of instruction can be determined, aggregate social benefits from education have not been, and may not ever be, quantifiably measured. The notion of measuring differing social benefits by field appears even more remote. By contrast, measuring the tangible private benefits to students in various fields and the cost of conducting programs in such fields is certainly feasible, although possibly some years in the future. However, to set subsidies and charges by field of endeavor without accurate distinction of the different social returns from such fields could create a significant and possibly undesirable redistribution of students among occupations. For example, certain fields for which future lifetime earnings and private demand are extremely low may possess a greater social return than other fields that exhibit higher private returns. In order to assure enrollment in these socially desirable fields, substantial public subsidy of costs may be necessary.

Revenues may be derived from this technique at any aggregate level, just as in the other techniques.

There is no way of estimating the ultimate administrative costs. Much of the cost would be involved in research to obtain adequate measures of costs and benefits. This technique would probably cost less to administer than either the "comprehensive loan" or "voucher" methods; but would doubtless be more costly to administer than either the "graduated charge" or "flat charge" methods.

E. VOUCHER SYSTEM

The rationale for public subsidies to provide the social benefits that result from higher education is clear. The public sector may establish such programs itself or utilize the private sector to accomplish the same objectives. A system of vouchers for higher education would employ a concept of public support and use of both public and private institutions.

A possible voucher system to be used in conjunction with an increase in student charges could be formulated as follows: once a student becomes eligible for a particular type of institution, a voucher representing the amount of public subsidy of the cost per student at such an institution would be granted to the household (student and his family). The household would then take the voucher and in combination with its own resources, purchase the year's education at the institution of its choice, which would be either privately or publicly managed.

A voucher system similar to this has been proposed in several instances for elementary and secondary education, and was actually used in the public school system in Virginia. A similar proposal was introduced in the California Legislature by Assemblyman Campbell during the 1969 Regular Session. Under his proposal the money would be given to students rather than the school districts. Only those students subject to compulsory school attendance laws were included. Higher education was excluded.

The range of the amounts of the vouchers may vary dramatically. At one extreme as currently practiced in California there may be a limited number of such vouchers distributed to individuals on the basis of some criterion such as scholastic ability. At the other extreme would be a system in which public subsidies in the form of vouchers were granted to all individuals without regard to any criterion other than the mere fact of college attendance, allowing them to purchase an education at any public or private institution. Under the latter, more comprehensive system, the primary distinction between private and public institutions would be their management rather than the distribution of their support between public and private sources.

1. Consequences

Proponents of a voucher system argue that there would be a significant increase in the degree of "consumer" choice regarding enrollment at a particular institution of higher education. The resulting increase in institutional competition would result, it is argued, in incentives for institutions to improve their efficiency and thereby attract greater numbers of students. A possible consequence of such an arrangement also is an increase in the diversity of educational programs and practices among all institutions whether public or private.

A consequence of the competition cited above, however, would be an increase in advertising by institutions. Given the difficulties the individual encounters in evaluating the returns from higher education, it is quite possible that through misleading information, institutions of low quality could attract large numbers of students. It is possible also that a consequence of such competition would be an increase in the number of institutions, a decrease in the average size of operation, and a resulting increase in the unit cost of educating students.

There is little doubt that if all vouchers were equivalent, high-cost, and presumably high-quality, institutions would be available only to the more wealthy. Poorer households would have to be content to purchase cheaper education at institutions of presumably lesser quality. The consequence, of course, would be a significant reduction in equality of educational opportunity and the subsequent redistribution of the economic benefits that education attempts to bring about.

In the absence of any public subsidy, the demand for higher education by two families of differing financial ability would be considerably different. Consequently, the introduction of public subsidy via vouchers of equivalent value to all households would not appear to result in an optimal provision of education, since the benefits to the community of educating individuals from such differing households may be substantially different. More simply put, the individual from a low-income family may not attend an institution of higher education at all in the absence of a public subsidy, while an individual from a high-income family might well be able to pay the entire cost of his education without resort to public subsidy. To achieve an aggregate level of education that accounts for both the social and the private demand on the part of the community appears to require, therefore, vouchers of differing size to households of differing financial ability.

2. Administration

The administration of such a system would appear to require a substantial, centralized effort in determining financial ability for all California households with students enrolled in higher education. There are no data on any such operation that would provide an indication of the administrative costs of such a plan for California.

A voucher plan would likely result in a redistribution of students from public to private institutions, depending upon the cost level utilized in determining voucher amounts. Given existing admission requirements and assuming differentially priced vouchers, a significant redistribution of students among the public systems seems unlikely even in the long run.

F. SUMMARY

The student charge may be set at any level under any of the techniques. There are, however, basic distinctions among the techniques having to do with the way in which charges are set and financial aids are provided; timing of income, procedures and cost of administration; and implications regarding those who must bear the added charge.

Comprehensive loan programs, in shifting some of the burden for support of higher education to the household, would place primary reliance upon the student, rather than parent, as is implied in the other techniques. The use of loans to finance student charges, particularly the fixed-repayment type of loan may result in significant discouragement to individuals from low income households in their attempts to finance a higher education.

The graduated charge, in contrast, relies more upon parents. It measures ability-to-pay solely on the basis of household income, possibly neglecting other important considerations such as the number in the household, assets, extraordinary expenses, etc. The loan proposals examined here have no provision for measuring need. Any student could execute a note to finance his education. Both the differentiated and flat charges utilize the traditional student financial aid approach wherein a number of factors are considered in determining need, and aid is provided in a "package," which very often is a combination of grants, loans, and working aid to the same individual. The voucher system might well utilize a similar system.

Depending upon the level of charge set, there is little difference in the flow of income from each of the techniques, with one exception. Significant revenues would not be forthcoming under the comprehensive loan technique until, perhaps, four to five years after the inception of the program.

The administrative costs of the comprehensive loan are likely to be higher than the costs of the other techniques discussed. Problems of emigration, default, and the numerous other factors involved in the storage and collection of notes constitute the main components of such costs. The primary cost of the differentiated charge would result from the need for detailed cost-benefit data that may not be available for a number of years. The voucher system implies substantial centralized machinery to determine voucher amounts for numerous individuals of differing financial ability, attending institutions of differing cost.

The graduated charge and the flat charge with student financial aid appear to pose the least administrative burden. While the graduated charge appears to be the more simple procedure of the two, available evidence indicates that the administrative costs for this technique may well be greater than those incurred under the alternative technique. The need for utilizing traditional aid programs even under the graduated charge technique renders this conclusion all the more valid.

The traditional student financial aid technique appears to be far more equitable in its identification of need and subsequent distribution of aid than does the graduated charge technique. The latter technique utilizes an ability-to-pay criterion-adjusted gross income-that totally neglects factors commonly used in administering the traditional financial aid program.

The total amount of student financial aid required under each plan is simply a function of the amount of fee charge involved. It happens that the particular graduated-fee scale examined in this paper would produce revenues which are comparable to increased flat charges of $200 at the University and $100 at the State Colleges.

CHAPTER V

REVENUE AND DIVERSION

The revenue producing "potential" of increased student charges may be examined as follows. An increase in student charges results in a decrease in student enrollment due to the diversion of:

1. Students who can no longer afford the charge and transfer to a cheaper institution or decide to forego further education entirely; and
2. Students who, while they can afford the increased charge, decide that the benefits gained from an education at the particular institution are no longer worth the investment and therefore transfer to another institution.

The "other" institution is not always a cheaper one. Given a price increase at a four-year institution, the student, if academically eligible, may decide to transfer to a more expensive private institution.

A. DIVERSION FROM THE UNIVERSITY

Very little data is available regarding changes in enrollment as a result of increased student charges. A study by the University's Office of Analytical Studies revealed the following behavior responses by students who, in answer to a questionnaire, indicated they would leave the University if student charges were increased:

PROPORTIONAL DISTRIBUTION OF BEHAVIOR OF STUDENTS LEAVING UC BECAUSE OF AN INCREASE IN COSTS

Attend a California State College	.54
Attend a California Junior College	.12
Attend a Private College or University in California	.11
Attend a College or University in another State	.12
Drop-out	.11
TOTAL	1.00

On the average, enrollment was estimated to decrease by 3.5 percent as the result of a $100 increase in student charges.[17] The student who, as a result of an increase in charges, can no longer afford to attend the institution may in most instances be encouraged to remain if offered appropriate financial aid. This assumes he still regards the investment in education at the institution as "profitable." In contrast, the individual who is still financially able may well be "lost," since he does not qualify for a subsidy to cover the price increase.

Thus, estimates of revenue from increased student charges must take into account the:

1. Decrease in enrollment as a consequence of those departing individuals who do not qualify for financial aid, and

2. Cost of financing those, who because of economic circumstances, must be aided if they are to remain.

It is estimated that an increase in student charges at the University of $100 during 1970-71 would divert some 2,300 students from an anticipated 97,000. About 1,000 of them could be retained by financial aid equal to the increased charge. (See Table 1.) The other 1,300 students who could presumably afford the cost increase but would depart anyway, might be persuaded to remain if offered financial assistance. Such a policy would appear to be of dubious validity, even though some of these individuals will discontinue higher education altogether.

Total gross revenue from student charges, therefore, must be reduced by the costs of student financial assistance if one holds that existing accessibility to higher education should be maintained:

An increase of $100:

$ 7.7	million Gross Revenue
-2.6	million Student Assistance
$ 5.1	million Net Revenue

An increase of $200:

$ 14.9	million Gross Revenue
-5.0	million Student Assistance
$ 9.9	million Net Revenue

In addition, the costs of administering the increased charge and the costs of distributing new financial aids should be deducted from these figures.

Note also, however, that if the traditional financial aid program is utilized, some portion of the aid may be distributed in the form of campus employment, in which case the net revenue would need to be modified slightly.

B. DIVERSION FROM THE STATE COLLEGES

Under commonly used standards, some 40 percent of State College students have financial need. Approximately half of these students

Table I

REVENUE AND ENROLLMENT EFFECTS, INCREASE IN STUDENT CHARGES UNIVERSITY OF CALIFORNIA 1970-71 to 1974-75

		(in $ millions, current)					
Increase	Year	Total Revenue	Student Financial Aid	Net Revenue[1]	Original Predicted Enrollment	Total Diverted After Charge With Aid	Total Diverted After Charge Without Aid
$100	1970-71	$ 7.7	$ 2.6	$ 5.1	97,067	1,338	2,268
	71-72	8.3	2.8	5.4	101,612	1,384	2,350
	72-73	8.9	3.0	5.8	106,376	1,431	2,434
	73-74	9.6	3.3	6.3	111,833	1,486	2,532
	74-75	10.4	3.6	6.8	117,321	1,540	2,629
$200	1970-71	14.9	5.0	9.9		2,675	4,536
	71-72	16.0	5.4	10.6		2,768	4,700
	72-73	17.2	5.8	11.4		2,862	4,869
	73-74	18.6	6.3	12.3		2,972	5,064
	74-75	20.1	6.9	13.2		3,080	5,257
$400	1970-71	27.9	9.2	18.7		5,349	9,072
	71-72	30.0	10.0	20.1		5,535	9,399
	72-73	32.3	10.7	21.6		5,724	9,737
	73-74	35.0	11.7	23.3		5,944	10,129
	74-75	37.7	12.6	25.1		6,159	10,513
"Graduated Scale"	1970-71	9.1		9.1			2,332
	71-72	9.8		9.8			2,413
	72-73	10.5		10.5			2,496
	73-74	11.3		11.3			2,591
	74-75	12.1		12.1			2,685

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[1] Prior to deduction for administrative costs.

SOURCE: University of California

receive financial aid administered by the colleges, generally packaged as a combination of grants, loans, and work. The remaining financial need is met either by some form of "belt tightening" on the part of the student and his family or by unrecorded earnings from "outside" work secured by the student himself.

An increase in student charges of $100 would result in an additional 8 percent of the State College enrollment exhibiting financial need, bringing the total to 48 percent. It is estimated by the Office of the Chancellor that even if these students were provided grants equivalent to the increased charge there still would be an approximate 5 percent loss in enrollment.

There is no precise estimate of the extent of enrollment loss in the event that no financial assistance was provided to offset the increase. Available evidence indicates, however, that such loss would likely be in the range of 8 to 9 percent.

For the State Colleges, an increase of $100 in student charges during 1970-71 would produce $18.5 million in gross revenue, after the estimated decrease in enrollment. After appropriate adjustments for costs of administration and financial aid there would be a net revenue of $9.2 million. Comparable results from an increased charge of $200 are $35 million "gross" and $14.7 million "net." (See Table 2.)

C. IMPACT OF DIVERSION ON OTHER INSTITUTIONS

An equally important consequence of increased charges is the impact upon the institutions in which diverted students enroll. As shown in Table 1, a $100 increase at the University would divert an estimated 1,400 students during 1970-71. A similar increase for the State Colleges would divert 11,200 students. (See Table 2.) Available evidence suggests that nearly 30 percent of these students might enroll in the public Community Colleges.[18] The rest would attend California private institutions, enroll in out-of-state institutions, enroll in the "other" four-year segment if eligible, or discontinue their education.

The ability of the Community Colleges to "absorb" this increase in enrollment depends upon the capacity of individual colleges and the geographic distribution of the students diverted.

Assuming there is sufficient physical plant in California's Community Colleges and private institutions to accommodate those diverted, the impact on aggregate operating costs is not entirely certain.

The minimal amount of data available on unit costs indicate that it may be only slightly cheaper, on the average, to educate a lower

Table 2

REVENUE AND ENROLLMENT EFFECTS, INCREASE IN STUDENT CHARGES CALIFORNIA STATE COLLEGES 1970-71 to 1974-75

		(in $ millions, current)							
Increase	Year	Total Revenue	Cost of Adminis-tering Charge	Student Financial Assistance	Cost of Adminis-tering Financial Assistance	Net Revenue	Original Predicted Enrollment	Total Diverted After Charge With Aid	Total Diverted After Charge Without Aid
$100	1970-71	$18.5		$ 8.9	$0.4	$ 9.2	222,800	11,156	(NA)
	71-72	18.9		9.1	0.5	9.3	246,400	12,386	
	72-73	23.5		11.3	0.6	11.6	267,500	13,383	
	73-74	26.2		12.6	0.6	13.0	289,600	14,556	
	74-75	29.0		13.9	0.7	14.4	311,000	15,544	
$200	1970-71	35.0		19.2	1.0	14.7		22,280	
	71-72	40.0		22.0	1.1	16.9		24,640	
	72-73	44.5		24.5	1.2	18.8		26,750	
	73-74	49.6		27.3	1.4	21.0		28,960	
	74-75	54.9		30.2	1.5	23.1		31,100	
$400	1970-71	62.2		39.8	2.0	20.4		44,560	
	71-72	70.8		45.3	2.3	23.2		49,280	
	72-73	79.1		50.6	2.5	25.9		53,500	
	73-74	88.2		56.4	2.8	29.0		57,920	
	74-75	97.6		62.4	3.1	32.1		62,200	
"Graduated Scale"	1970-71	11.0	0.9	0.7	0.04	9.4		11,161	
	71-72	12.5	0.9	0.8	0.04	10.8		12,308	
	72-73	14.0	1.0	1.0	0.1	11.9		12,265	
	73-74	15.6	1.1	1.1	0.1	13.3		14,466	
	74-75	17.3	1.2	1.2	0.1	14.8		15,537	

SOURCE: Chancellor's Office, California State Colleges.

division student in the Community Colleges than in the State Colleges or University. There is little doubt that at certain small Community Colleges, unit costs for instruction exceed similar lower-division unit costs at the larger campuses and colleges in the four-year segments. The resulting aggregate change in costs would again depend upon the distribution of students among Community Colleges that exhibit differing operating costs.

Even if the aggregate public outlay for current operations proved to be less, this would only indicate that fewer students were being educated. The lower unit cost to the public would be a result of a lower operating cost and a larger private "share" from the increased student charge. It does not indicate anything about efficiency, since little can be inferred about the quality of the resulting educational "output," or about the implications of the fact that a number of students have discontinued their education entirely.

In addition, proponents of progressive taxation will argue that since relatively more of lower division instruction is being accomplished by the local Community College, the resulting distribution of the tax burden is less equitable since a greater share of the public subsidy is derived from a regressive local property tax.

D. RESULT OF THE RECOMMENDED USE

A University study has estimated that a student charge of approximately $200 per year would provide for University capital requirements--assuming 1969-70 State funding at an initial $45 million--at least until the year 2000. Based upon State College capital costs, a charge of approximately $100 might well accomplish similar purposes under similar assumptions.

For example, increased charges of $200 and $100 for the University and State Colleges, respectively, with appropriate increases in student aid to meet the additional financial need created, would result in the following estimated revenues for capital outlay:

Net Revenue
(in $ millions, current)

Academic Year	University	State Colleges
1970-71	$ 9.9	$ 9.2
1971-72	10.6	9.3
1972-73	11.4	11.6
1973-74	12.3	13.0
1974-75	13.2	14.4

The net revenue represents income after deduction of the cost of student financial aid.

Even with the provision for financial aid, some 13,800 students would be diverted in 1970-71: 11,100 from the State Colleges and 2,700 from the University. Of that total, it is estimated that some 1,500 would transfer from the University to a State College; 4,000 would be diverted from the four-year segments to a Community College; 600 would attend California private institutions; and the remainder would either attend an institution in another state, drop out, or go to work and become part-time or limited students.

Estimates of enrollment and physical plant capacity for the Community Colleges in 1970-71 suggest that the system could absorb 4,000 diverted students (Table 3). In thirteen of thirty-five areas in California, projected enrollments for fall of 1970 are estimated to exceed projected capacity. In only two such regions would physical plant capacity appear to be clearly deficient and the number of diverted students seeking spaces, at the same time, appear to be large.

However, it may be difficult for specific Community College districts within these areas to acquire the operating revenues needed to accommodate the diverted students. While additional State General Fund support would be forthcoming, such support accounts for only one-third of per-student operating costs in the Community Colleges. The nature of State financing of Community Colleges and the limit on the Community College's ability to tax locally may require a college to lower its per-student operating costs--for example, by increasing class size and faculty teaching load--if it is to accommodate the diverted students.

As noted, it is impossible to estimate the net change in the cost of providing lower division instruction to those students who are diverted to the Community Colleges. The effective redistribution among the sources of public support would, of course, be from the State to the local level.

In the event that the increases in student charges examined above were doubled, the result would be at least twice the amount of diversion estimated. While the higher number of diverted students could still be accommodated within estimated systemwide capacity of the Community Colleges, it is questionable that certain individual colleges could accommodate their share of the resulting total diversion (8,000 to 10,000 students) unless physical plant capacity was increased. Again, the difficulty of generating needed operating revenues may well be the most difficult problem that individual colleges would face in attempting to cope with diversion.

Table 3

ESTIMATED DISTRIBUTION OF STUDENTS DIVERTED TO COMMUNITY COLLEGES BY CHARGES OF $200 AT THE UNIVERSITY AND $100 AT THE STATE COLLEGES, 1970-71

County	Distribution of First-time Freshmen by Region (percent)		Distribution of Diverted Students	Estimated Fall 1970 Enrollment (Day-graded)		Existing & Funded Capacity 1967
	Univ.	St.Coll.		(Before Diversion)	(After Diversion)	
Alameda	7.84	6.62	268	22,282	22,550	25,148
Butte & Glenn	.29	1.76	66	2,318	2,384	0
Contra Costa	5.38	3.13	132	11,675	11,807	9,158
Fresno & Madera	1.29	5.03	190	9,765	9,955	10,226
Humboldt & Del Norte	.22	1.71	64	2,430	2,494	1,935
Imperial	.20	.10	5	1,624	1,629	1,883
Kern	1.11	.80	33	7,983	8,016	7,008
Lassen & Plumas	.03	.18	7	645	652	467
Los Angeles	35.10	30.11	1,221	130,637	131,858	143,253
Marin	2.16	1.05	45	5,173	5,218	6,288
Merced & Mariposa	.30	.52	21	2,315	2,336	2,195
Mono & Inyo	.04	.08	3	0	3	0
Monterey	.92	.53	22	5,791	5,813	8,730
Napa	.20	.16	7	2,182	2,189	2,719
Orange	6.70	7.56	301	34,316	34,617	30,788
Placer, Nevada & Sierra	.31	.33	13	2,702	2,715	2,552
Riverside	2.31	1.10	48	7,796	7,844	8,980
Sacramento, El Dorado & Yolo	4.21	4.72	187	17,795	17,982	13,787
San Bernardino	2.45	2.48	99	12,185	12,284	14,835
San Diego	6.08	8.86	347	25,237	25,584	34,424
San Francisco	3.07	1.96	82	11,171	11,253	11,676
San Joaquin, Amador & Calaveras	.98	1.01	40	6,247	6,287	4,884
San Luis Obispo	.32	1.10	42	2,039	2,081	3,907
San Mateo	4.16	2.77	114	12,951	13,065	15,296
Santa Barbara	1.94	.78	35	6,267	6,302	7,631
Santa Clara & San Benito	6.90	9.46	371	23,237	23,608	23,817
Santa Cruz	.52	.28	11	3,772	3,783	6,105
Shasta, Tehama & Trinity	.35	.54	21	3,155	3,176	3,163
Siskiyou & Modoc	.13	.26	11	745	756	917
Solano	.69	.69	28	3,429	3,457	2,816
Sonoma, Lake & Mendocino	.84	1.64	63	4,493	4,556	5,097
Stanislaus & Tuolumne	.61	.52	21	5,526	5,547	4,088
Tulare & Kings	.40	.68	26	3,211	3,237	3,834
Ventura	1.35	.88	37	6,798	6,835	6,966
Yuba, Colusa & Sutter	.42	.48	19	2,854	2,873	2,961
			4,000	400,746	404,746	427,534

SOURCE: See note 19

NOTES

1. See U. S. Department of Commerce, Bureau of the Census, "Consumer Income," Series P-60, No. 56 Washington, August 14, 1968. The article points out that:

    > In the (Department of Commerce) report, lifetime income estimates of men in different educational categories, and which are based on data for specific years, represent a summation of the products of both mean income estimates of different age and education groups and the number of survivors in the comparable population out of 100,000 at birth from an initial stipulated age to a terminal one divided by the comparable number out of 100,000 who survived to the initial stipulated age. Thus, lifetime income estimates are a measure of the incomes that could be expected on the average by members of specific education groups in a lifetime (or for any specified span of years) if the mean income estimates by age and education, and life expectancy rates, did not change from those existing in the reference year, e.g., 1966.

2. E.F. Dennison has suggested that ability differentials account for perhaps 40% of observed income differentials. Becker suggests that ability would account for 12%, while Weisbrod and Karpoff recently estimated ability to account for about one-fourth of the earnings differential of college graduates and high school graduates.

    See B. A. Weisbrod and P. Karpoff, "Monetary Returns to College Education Student Ability and College Quality," The Review of Economics and Statistics," V, No. 4, November 1968, pp. 491-510.

3. See U. S. Department of Commerce, Bureau of the Census, "Consumer Income," Series P-60, No. 60, Washington, June 30, 1969, p. 27.

4. Technically, of course, at the optimum level of output total marginal benefits equal total marginal costs and total benefits exceed total costs. Therefore, average benefits exceed average costs per student. However, depending upon the shape of private demand for higher education and the value of social benefits at various levels of output, the relationship of private to public cost should provide some insight into the relationship of private and social benefits as follows:

$$\frac{\text{private cost}}{\text{public cost}} = f\left(\frac{\text{private benefits}}{\text{social benefits}}\right)$$

In fact, under certain circumstances the two ratios may be approximately equal.

To be precise, the analysis would consider the total time stream of costs and benefits in present value. Further, a partial equilibrium analysis of this type is meaningful only if other sectors of the economy are optimally organized so that prices of other goods and factors are not distorted. Neither qualification would appear to detract seriously from the type of approximate analysis undertaken here.

5. See "Summary of College Cost Information," prepared by the California State Scholarship and Loan Commission, September 5, 1969.

6. The estimates of annual foregone earnings for graduates and undergraduates are derived by taking base 1967 income data from the report of "1967 Income" issued by the Department of Commerce, Bureau of Census (Series P-60, No. 60; June 30, 1969). The base income figures are then adjusted for the approximate ages of the two student types, weighted according to sex and corrected to reflect the higher salaries which exist in the western region of the United States. The assumed educational levels are four years of high school for the undergraduate and four years of college for the graduate.

   It is also assumed that the student could earn approximately $500 annually while in attendance. These results are then updated to reflect a two-year increase in personal incomes so that the final result is an approximation of the probable income that could be earned during 1969 by an undergraduate or graduate student if he were to decide not to continue his education.

7. The detail behind these estimates:

	University	State Colleges
Undergraduate		
Foregone earnings	$4,200	$4,200
Direct costs	430	230
Subsistence	200	200
	$4,830	$4,630
Graduate		
Foregone earnings	$7,300	$7,300
Direct costs	430	230
Subsistence	200	200
	$7,930	$7,730

8. Operating costs are derived from the reported 1969-70 average State expenditure for enrollment-related activities ($1,824 at the University and $1,594 at the State Colleges). From these average expenditures graduate and undergraduate outlays are derived by use of relative cost weightings reported by the segments:

	University	State Colleges
Graduate costs	2.26	1.98
Undergraduate costs	1.00	1.00

The results are then adjusted for the relative graduate and undergraduate enrollments to attain an approximation of the student costs at each level.

Annual capital costs per student are obtained by taking a base per student outlay ($12,000 at the University and $7,000 at the State Colleges during 1968-69) adjusting for increases in the ENR index to obtain 1969-70 costs and finally deriving the relative costs by level according to the following weights.

	University	State Colleges
Graduate costs	5.0	3.0
Undergraduate costs	1.0	1.0

The results are further adjusted to reflect debt instrument financing with bond terms of forty years and interest rates at 5.5%. Finally, effective facility life is assumed to be forty years. As in the case of the derivation of operating costs the final estimates are adjusted for relative graduate and undergraduate enrollments.

Health science instruction is not included in either capital or operating expenditure calculations.

9. Exclusive of those expenditures for organized research and public services; also excludes health science expenditures.

10. Constant expenditures are simply current expenditures adjusted to real terms for price changes.

All references to 1969-70 support levels are in "real" terms. Thus, a continuation of 1969-70 support levels through 1972-73, for example, would result in a higher absolute expenditure in "current" dollars during the latter year due to increases in the price of faculty, facilities, and other inputs required for the instruction of students. In particular, assume that the State spends $1,500 for undergraduate instruction during 1969-70. If the average price of inputs rises by 5 percent between 1969-70 and 1970-71, a State expenditure of $1,575 would be required during 1970-71 to maintain the 1969-70 "real" level of support.

11. Estimates derived from studies by the staffs of the University and the State Colleges.

12. These estimates are based on the following assumptions: (1) ninety-five percent of enrolled students will request fee determination, and (2) a cost per determination of $3 during each of the five years, with scale and procedural economies assumed to offset price increases.

13. These estimates are based on detailed workload estimates by the staff of the Office of the Chancellor. The apparent result is a greater-than-$3-per-case requirement for administration of the graduated charge.

14. These data are derived from CCHE Study No. 67-13 and the College Entrance Examination Board report entitled, "Financing a College Education, a Guide for Counselor," distributed during 1969.

15. Based upon the College Board's Study of Student Financial Aid Administration Requirements and Resources at the University of California (1967).

16. It is assumed that since there would be no change in the way in which students are distinguished, the costs of administering the increased charge itself are negligible. The added costs of administering the additional financial aid are relevant.

17. This is equivalent to saying that a 5 percent increase in cost (i.e., $100 on top of $1,990, the 1969-70 average cost of attending a University general campus) results in a 3.5 percent decrease in enrollment; or that the price elasticity of demand for the University is -.70 (3.5/5). There are very few existing estimates regarding price elasticity. Campbell and Siegel, using time-series data for the nation as a whole, have measured the price-elasticity of demand for 4-year institutions at -.44 and statistically significant (see American Economic Review, Vol. 42, June 1967, pp. 482-494).

    Additional estimates of price-elasticity may be obtained from an analysis of responses by a sample of 1967 California college freshmen to hypothetical questions regarding price increases. The sample was drawn from the SCOPE study (School to College:

Opportunities for Post-Secondary Education; a longitudinal study of students formally sponsored by the Center for Research and Development in Higher Education and the College Entrance Examination Board).

The following simple regression equation was used for this analysis:

$$y = a + bx$$

where y = enrollment demand

x = price of education, including tuition and fees plus subsistence

and a and b are constants.

Separate estimates were made for each of the four segments of higher education in California with the following results (standard errors are in parentheses):

University of California: $y = \underset{(10.9)}{569.5} - \underset{(.025)}{.140x}$, $r^2 = .942$

average price-elasticity = -1.12

California State Colleges: $y = \underset{(12.2)}{499.3} - \underset{(.027)}{.151x}$, $r^2 = .946$

average price elasticity = -1.19

California Community College: $y = \underset{(103.5)}{1{,}996.6} - \underset{(.231)}{.706x}$, $r^2 = .944$

average price elasticity = -.71

California Private Colleges: $y = \underset{(8.5)}{356.6} - \underset{(.019)}{.115x}$, $r^2 = .948$

average price elasticity = -2.33

All of the results are statistically significant. The relatively high results for price-elasticity coefficients may be explained partly on the basis that these individuals were freshmen with a greater number of options available than would be the case for a sample which included upper division and graduate students as well.

While the data were analyzed by a linear function, there is evidence that demand is not a linear function of price in this case; i.e., the decrease in enrollment resulting from a $400 increase in the cost of attending an institution is significantly greater than twice the decrease in enrollment associated with a $200 increase in the cost.

It should be noted that the estimates of diversion from the State Colleges presented in Table 2 are equivalent to a coefficient of price-elasticity slightly exceeding -1.0. This would appear to be near the upper limit for any reasonable range of estimates.

18. The estimated level of diversion to the Community Colleges is made up of 12 percent of those diverted from the University (see p. 18) plus 80 percent of those diverted from the lower division of the State Colleges. It is estimated that the remaining 20 percent of those diverted from the lower division at the State Colleges would enroll at other institutions or discontinue their education entirely.

19. Table 3 is derived from data contained in CCHE Report No. 69-1 and the Report of the Full Day Graded Students in Junior Colleges, Form BD-240, Department of Finance, June 1969. It is assumed that the distribution of those diverted to Community College regions will be comparable to the regional distribution of first-time freshmen in the public four-year segments. The estimated student capacity of facilities in the Community Colleges of each region is that which existed in 1967, plus the capacity which was funded at that time. The result is a reasonable approximation to Community College capacity as of the fall of 1970.

APPENDIX A

COORDINATING COUNCIL FOR HIGHER EDUCATION

Resolution for a Tuition Study

WHEREAS, A lack of funds will delay if not prevent the construction of buildings needed to educate young people already enrolled in the public schools who intend to enroll in the University of California and the California State Colleges, and

WHEREAS, All of the recognized financial needs of the University of California and the California State Colleges for funds for operating expenses, student aid, and capital outlay have not been fully met from current State resources, and

WHEREAS, Additional revenue could be secured from a reasonable tuition and/or from an increased student fee; now, therefore, be it

RESOLVED, That the Council requests the Director to bring to the October meeting of the Council:

1. Alternative proposals for reasonable tuition charges and/or increased student fees, with estimates of income to be derived from each alternative; and
2. Alternative uses of the estimated income from such charges to include aid for those students to whom the institution of additional costs for education would be a hardship.

Adopted
May 6, 1969

#313

APPENDIX B

#269

Item 1

COORDINATING COUNCIL
FOR HIGHER EDUCATION

Resolution on Student Fees

WHEREAS, University and State College practices with respect to student fees are not completely in compliance with Master Plan provisions; and

WHEREAS, Certain definitions in the Master Plan regarding student fees are ambiguous; and

WHEREAS, The Director of the Council, with the cooperation of the State Colleges and University, has reviewed the subject of fees for student services and developed a common definition of student fees and a list of those activities for which such fees might be appropriately levied; and

WHEREAS, The Coordinating Council for Higher Education finds that a common definition of student fees and identification of those activities which may be appropriately supported from such fees are needed to assist the determination of state and student responsibilities for the financing of higher education and to assure that such fees are adequate to cover the cost of non-instructional services to students without cost to the taxpayer; now, therefore be it

RESOLVED, That the Coordinating Council for Higher Education advises the University and State Colleges to adopted the following definition of student fees:

> Student fees are defined as charges to students to cover the cost of non-instructional services and programs that are designed to maintain student well-being;

and, be it further

RESOLVED, That the Coordinating Council for Higher Education advises the University and State Colleges to consider for adoption the list of activities for which such student fees may be appropriately levied as contained on page 6 of the agenda item on Student Fees presented to the Council Committee on Finance, October 7, 1968; and, be it further

RESOLVED, That the State Colleges and University report to the Council at its July meeting regarding their progress in identifying and allocating costs for those activities to be supported from student fees as defined by the Council.

Adopted
October 8, 1968

III. FUNDING SOURCES FOR SPECIFIC ACTIVITIES UNDER THE PROPOSED STUDENT FEE DEFINITION

Activity[1]	Student Fees[2]	Other Sources[3]
STUDENT SERVICES		
Educational Placement	X	
Student and Alumni Placement	X	
Health Service	X	
Recreation	X	
Cultural Programs	X	X
Counseling and Testing	X	X
Student Activities	X	X
Dean of Students	X	X
Foreign Students Program	X	X
Public Ceremonies	X	X
Admissions Office		X
Registrar		X
Student Statistics		X
STUDENT AID		
Financial Assistance Grants, Fellowships, etc.	(unresolved)	
Financial Assistance Administration		
AUXILIARY ENTERPRISES		
Dining	(unresolved)	
Residence Program	X	
Parking	X	
Intercollegiate Athletics	X	
Student Union, Bookstore	X	
INSTRUCTION		
Academic Advising		X
Laboratory Cost		X
Instructional Expense		X

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[1] Detailed descriptions of these activities are contained in Council Study #68-5.

[2] May be either general or specific student fees. In some instances user fees are charged to non-students for concerts, plays, intercollegiate athletic events, etc., and may be used in conjunction with student fees to provide the financial support required.

[3] The "other sources" include state and/or local governmental support and student tuition or other student charges for instructional purposes. Note that any activity may employ revenue from gifts, grants, and endowments and federal funds to supplement either student fees or revenues from "other sources."

Item 2

STATEMENTS BY UNIVERSITY OF CALIFORNIA REGARDING COUNCIL STUDENT FEE RESOLUTION

UNIVERSITY OF CALIFORNIA

BERKELEY • DAVIS • IRVINE • LOS ANGELES • RIVERSIDE • SAN DIEGO • SAN FRANCISCO 1868 1968 SANTA BARBARA • SANTA CRUZ

CHARLES J. HITCH
President of the University

FREDERICK E. BALDERSTON
Vice President—Planning and Analysis

OFFICE OF THE PRESIDENT
BERKELEY, CALIFORNIA 94720

November 20, 1968

COPY

Mr. Owen A. Knorr, Director
Coordinating Council for Higher Education
1020 Twelfth Street
Sacramento, California 95814

Dear Al:

This is in response to your letter of October 25 to President Hitch concerning the University's progress toward implementation of the Council's October resolutions on the use of student fees.

Policy memoranda are currently being developed for issuance to the campuses which will establish guidelines for application of general and specific fees in general conformity with Council recommendations. We will continue to review fee-supported activities to ensure that revenues are allocated appropriately within practical limits.

University policy is presently in line with the Council resolutions on fund sources for activities and services listed on page 6 of the October 7 agenda item, except that laboratory costs are currently funded from student fees. We have been unsuccessful in the past in obtaining State funds for this purpose, and the current requirement would total approximately $3 million.

In the October document, the Council staff recommends that fee revenues allocated to support services for student well-being be extended to include indirect costs for administration and use of physical facilities. The suggested distribution of program administration costs from the Dean of Students Office has been accomplished in the University's 1968-69 budget. Approximately half of State support for campus Deans of Students has been replaced by Registration Fees in recognition of the administrative burden for activities contributory to student well-being.

We have determined that, at best, it will be difficult to properly assign indirect costs to fee-supported activities for the use of University physical facilities and equipment. The University does not depreciate State-funded buildings and equipment as an expense, and charges based on original acquisition costs would involve extensive scheduling of depreciation and cost proration for which the cost would probably exceed any potential benefits. As a practical alternative, the University will investigate the possibility of measuring space occupied by fee-supported activities to assess operation and maintenance charges at the level of the prevailing campus cost per square foot. In addition we will attempt to develop a system to recover costs of services rendered to fee-supported activities by Accounting, Receiving, Personnel and Purchasing.

Regarding the two unresolved areas in the listing of activities and services:

1. From the recent increase in the Student Registration Fee, The Regents have authorized the use of $6.4 million to meet urgent requirements for student financial assistance. This action was deemed necessary because of inadequate State funding to ensure equality of access to the University.

2. The staff report recommends elimination of State support provided under current policy for construction of the initial 700-seat dining facility on a new campus. This would impose a heavy burden on the University since a new campus has no receipts available from board fees to finance construction of dining facilities. Also, the University's present commitment for repayment of construction loans for student housing and dining facilities has required substantial increases in room and board rates in recent years. Further additions to this burden might result in prohibitive rate increases and reduced occupancy of University facilities.

We shall keep you informed of our progress in the student fee area.

Sincerely,

for F. E. Balderston

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UNIVERSITY OF CALIFORNIA

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CHARLES J. HITCH
President of the University

FRANK L. KIDNER
Vice President—Educational Relations

OFFICE OF THE PRESIDENT
BERKELEY, CALIFORNIA 94720

June 3, 1969

C O P Y

Dr. Willard B. Spalding
Deputy Director
Coordinating Council
for Higher Education
1020 12th Street, 2nd fl.
Sacramento, California 95814

Dear Willard:

This letter is in reference to your request of April 28 for information regarding policies for allocation of student fees and progress to date on identification and allocation of indirect costs for fee-funded student services.

With respect to the specific budget areas listed in your letter, current funding (shown on the attached table) is consistent with Council recommendations with one exception. Laboratory Fees remain fully supported from the Registration Fee. Prior efforts of The Regents to secure State funds for these costs have been unsuccessful. At present, there appears to be no practical alternative to the continued use of student fees in this area. Budget content and funding policy for the remaining listed activities are as follows:

Registrar and Admissions Offices are supported from general funds.

Dean of Students Offices are funded partially from student fees for activities related to student well-being. These include advice, counsel and administrative assistance in the areas of personal finance, counseling, placement, student organizations and recreational and cultural programs. General funds support administration and policy formulation in programs for admissions, registration, student statistics, and regulations governing scholastic difficulties and student conduct.

Public Ceremonies are principally supported from general funds. These activities include organization and administration of commencement exercises, and other University ceremonies, meetings and convocations. Registration Fee income is used to fund such activities as Freshman Orientation Day and other student events.

Cultural Programs derive full support from student fees and related income, and provide opportunities outside the classroom for experiences in fine arts, humanities and social and natural sciences. Concerts, dramas, lectures and exhibits are funded partly from admission fees.

Counseling and Testing receive principal support from general student fees with some additional income from specific fees for Summer Advisory Programs, etc. A professionally qualified staff administers psychological and aptitude testing and assists students with scholastic performance, choice of vocation and personal adjustment.

Foreign Student Programs include several services directed to the particular requirements of foreign students, such as advising and counseling, community integration, housing, personal finances and visa and work permits. Funding is entirely from student fees, and is generally proportional to the mix of foreign and domestic students.

Student Activities are supported from student fees and include sponsorship of campus organizations affiliated with official student groups. Organizational activities include publications, musical and drama, debate and special interest clubs.

Student Dining Facilities: The CCHE staff proposal to eliminate State support for construction of initial facilities on new campuses would further burden the University's present commitment for repayment of construction loans and could result in prohibitive rate increases and reduced occupancy of student housing facilities.

Financial Assistance is funded through 1969-70 from the Registration Fee and from University gifts and endowments. University policy concerning the funding of student aid and the administration thereof continues as previously stated in the "University of California Statement of the Use of Student Fees for Student Financial Assistance" (October 1968). As you know, all State funds for student aid ($214,017 previously budgeted) have been deleted from the Governor's Budget for 1969-70. Unmet needs are currently evaluated in excess of $37 million for financial aids and Educational Opportunity Programs.

Allocation of Capital and Indirect Operating Costs: Preliminary data on staff and space utilization for fee-funded student services has been evaluated to determine the approximate levels of demand on general-fund business services and plant maintenance. Estimated average recharge rates per square foot for maintenance and per FTE campus staff for business services have been applied to corresponding resource units for fee-funded student services. From this review, it appears that indirect operating costs for these activities at current levels would approach about $335,000 per year, or $3.50 per student. In addition, capital facilities presently occupied represent an investment of $6.6 million at current replacement costs, and assessment to cover the cost of these facilities would also require a further increase in fees depending on the schedule for amortization. Although the University will continue to refine the initial methods used for determining appropriate charge rates for indirect operating costs, the potential for replacement of State support in this area appears relatively low. Also, the cost of continuous review and assessment of recharges to approximately 100 separate budgets on nine campuses may substantially offset the anticipated benefits of indirect cost allocation.

We shall look forward to meeting with your staff later this month, and would be glad to provide additional data if necessary.

Sincerely,

Frank

Frank L. Kidner

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THE UNIVERSITY OF CALIFORNIA

Registration Fee Allocations per Headcount Student

	1968-69 Registration Fee	(6-30-69) $ Per Head-count Student	1969-70 Registration Fee	(7-1-69) $ Per Head-count Student	1970-71 Registration Fee	Estimated $ Per Head-count Student
Admissions						
Registrar						
Dean of Students	$ 292,000	$ 3.10	$ 330,000	$ 3.30	$ 341,000	$ 3.30
Educational Placement	387,000	4.10	422,000	4.30	437,000	4.20
Student - Alumni Placement	905,000	9.60	988,000	10.00	1,000,000	9.90
Public Ceremonies	38,000	0.40	39,000	0.40	44.000	0.40
Cultural Programs	324,000	3.40	319,000	3.20	328,000	3.20
Recreational Facilities	590,000	6.25	622,000	6.30	647,000	6.35
Recreation - Other	516,000	5.45	543,000	5.50	565,000	5.55
Student Aid Administration	867,000	9.20	966,000	9.80	1,027,000	10.10
Counseling	1,271,000	13.40	1,495,000	15.10	1,532,000	15.00
Foreign Students Program	265,000	2.80	286,000	2.90	297,000	2.90
Housing Service	664,000	7.00	705,000	7.10	713,000	7.00
Student Health Service	6,965,000	73.60	7,377,000	74.60	7,590,000	74.50
Student Activities	583,000	6.20	738,000	7.50	790,000	7.70
Other Miscellaneous	105,000	1.10	132,000	1.30	142,000	1.40
Subtotal Student Services	13,772,000	145.60	14,962,000	151.30	15,453,000	151.50
Laboratory Fees	2,554,000	27.00	2,670,000	27.00	2,752,000	27.00
Student Aid	5,676,000	60.00	5,933,000	60.00	6,116,000	60.00
Grand Total	$22,002,000	$232.60	$23,565,000	$238.30	$24,321,000	$238.50

Budget Office
8/28/69

B-8
Item 3

STATEMENTS BY THE CALIFORNIA STATE COLLEGES REGARDING COUNCIL STUDENT FEE RESOLUTION

The California State Colleges
5670 WILSHIRE BOULEVARD • LOS ANGELES, CALIFORNIA 90036

Office of The Chancellor

November 5, 1968

C
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Dr. Owen A. Knorr, Director
Coordinating Council for Higher Education
1020 - 12th Street
Sacramento, California 95814

Dear Dr. Knorr:

With regard to the question posed in your October 14 letter, I wish to confirm that our position on charging students for student financial assistance and dining facilities has not changed. This is the basis on which our 1969-70 proposed financial aid administration budget was developed. Since discussion of student financial assistance (i.e., grants, loans, work) and initial dining facilities was limited by the press of time, I would also like to comment on those two items:

1. Student financial assistance - We agree with the Council staff position. The use of student fees for support of other students, would in effect, constitute tuition. This does not fall within the adopted student fee definition, and should be treated as a separate issue. Furthermore, the general socio-economic level of State College students is such that most of any fee increase to be used for student financial assistance would have to be used to compensate for the cost increase itself. Thus, progress toward removing the real financial barrier would be minimal.

2. Dining facilities - We have not questioned current State practice in providing the initial dining facility at State expense because this appears to be the most realistic approach to meeting the need.

In view of the fact that the State would eventually need to provide a facility for staff, we believe it is reasonable to assume that the initial facility is provided to serve that ultimate purpose. We assumed that Council, State College and University staff had reached accord on this matter. If this is not the case, further discussion should be held.

Should you wish further clarification, please let me know.

Sincerely,

Glenn S. Dumke
Chancellor

GSD:ja

cc: Mr. Thomas H. McGrath

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The California State Colleges
5670 WILSHIRE BOULEVARD • LOS ANGELES, CALIFORNIA 90036

The Chancellor

January 8, 1969

COPY

Dr. Owen A. Knorr, Director
Coordinating Council for Higher Education
1020 - 12th Street
Sacramento, California 95814

Dear Al:

As a party to the development of the definition of student fees adopted by the Coordinating Council at its October meeting, we find no difficulty in adopting it as a working definition. It is, in fact, essentially the definition we have been using for some time.

We have not yet given further attention to the list of activities adopted by the Council "for which student fees may be appropriately levied." I do not anticipate, however, that this will present any substantive difficulty, since our only questions focus upon items which are still unresolved by the Council itself.

We shall keep you informed of further developments.

Sincerely,

Glenn S. Dumke
Chancellor

GSD:ls

cc: Dr. Willard B. Spalding
Mr. Thomas H. McGrath

Item 3 (Continued)

CALIFORNIA STATE COLLEGES
STUDENT SERVICES SUPPORTED FROM MATERIALS AND SERVICE FEE

	Expenditure as Percent of Total Materials & Service Fee		Dollars Per FTE Student	
	1968-69	1969-70	1968-69	1969-70
Instructional Expense	32.1%	36.3%	$ 32.36	$ 40.85
Health Service	19.7	17.9	19.83	20.20
Counseling (& Testing) Service	18.6	16.3	18.77	18.37
Placement	7.3	6.3	7.38	7.08
Housing Service, Student Activities	7.7	6.4	7.71	7.20
Student Aid Administration	3.4	6.1	3.40	6.82
Foreign Student Program	2.4	2.4	2.42	2.66
(Staff Benefits)	5.7	5.3	5.71	5.99
(Operating Expense)	4.8	4.4	4.85	4.98
(Equipment)	0.7	0.7	.67	.83
Salary Savings	-2.4	-2.1	-2.38	-2.43
TOTAL EXPENDITURE			$100.72	$112.55
INCOME			98.50	115.68
(DEFICIT)			(2.22)	3.14

BA
6/2/69

Item 4

MASTER PLAN RECOMMENDATIONS REGARDING TUITION AND STUDENT FEES

STUDENT FEES

For the state colleges and the University of California it is recommended that:

1. The two governing boards reaffirm the long established principle that state colleges and the University of California shall be tuition free to all residents of the state.[14]

2. Students who are residents of other states pay as follows:

   a. All students except those exempt by law pay tuition sufficient to cover not less than the state's contribution to the average teaching expense per student as defined by the Master Plan Survey Team's Technical Committee on Costs of Higher Education in the institution or system as follows:

      "Teaching expense is defined to include the cost of the salaries of the instructors involved in teaching for the proportion of their time which is concerned with instruction, plus the clerical salaries, supplies, equipment and organized activities related to teaching."

   b. Other fees for services not directly related to instruction.

3. Each system devise a fee structure and collect sufficient revenues to cover such operating costs as those for laboratory fees, health, intercollegiate athletics, student activites, and other services incidental to, but not directly related to, instruction.

4. The operation of all such ancillary services for students as housing, feeding, and parking be self-supporting. Taxpayers' money should not be used to subsidize, openly or covertly, the operation of such services. Because of the various methods which are used to finance construction of auxiliary enterprises such as residence halls and dormitories, it is impossible to state in general which portions of amortization and interest payments are properly chargeable to operating expense. Consequently, it is recommended further that the governing boards determine which of such costs are appropriate charges to operating expense and include as much as possible of those with other operating expenses of such ancillary services.

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[14] The distinction between "tuition" and "fees" is as follows: "tuition" is defined as student charges for teaching expense, whereas "fees" are for charges to the students for services not directly related to instruction, such as health, counseling other than that directly related to the students' educational program, placement services, housing, recreation, and the like.

5. **Additional provisions be made for student aid and loans, particularly as fees and nonresident tuition increase.**

6. **Periodically the governing boards recompute their per-student teaching expense and set nonresident tuition accordingly. Periodically they recompute the cost of operation of services such as feeding, housing, and parking, and set fees for such services accordingly.**

7. **Each institution retain moneys collected from nonresident tuition.**

8. **All the above policies when approved by the two governing boards be applicable immediately to the state colleges and the University of California, and that they be applied to the junior colleges as a matter of state policy and when applicable.**

APPENDIX C

Table 1

RESIDENT STUDENT CHARGES
ASSOCIATION OF STATE UNIVERSITIES AND LAND GRANT COLLEGES
1962-63 to 1968-69

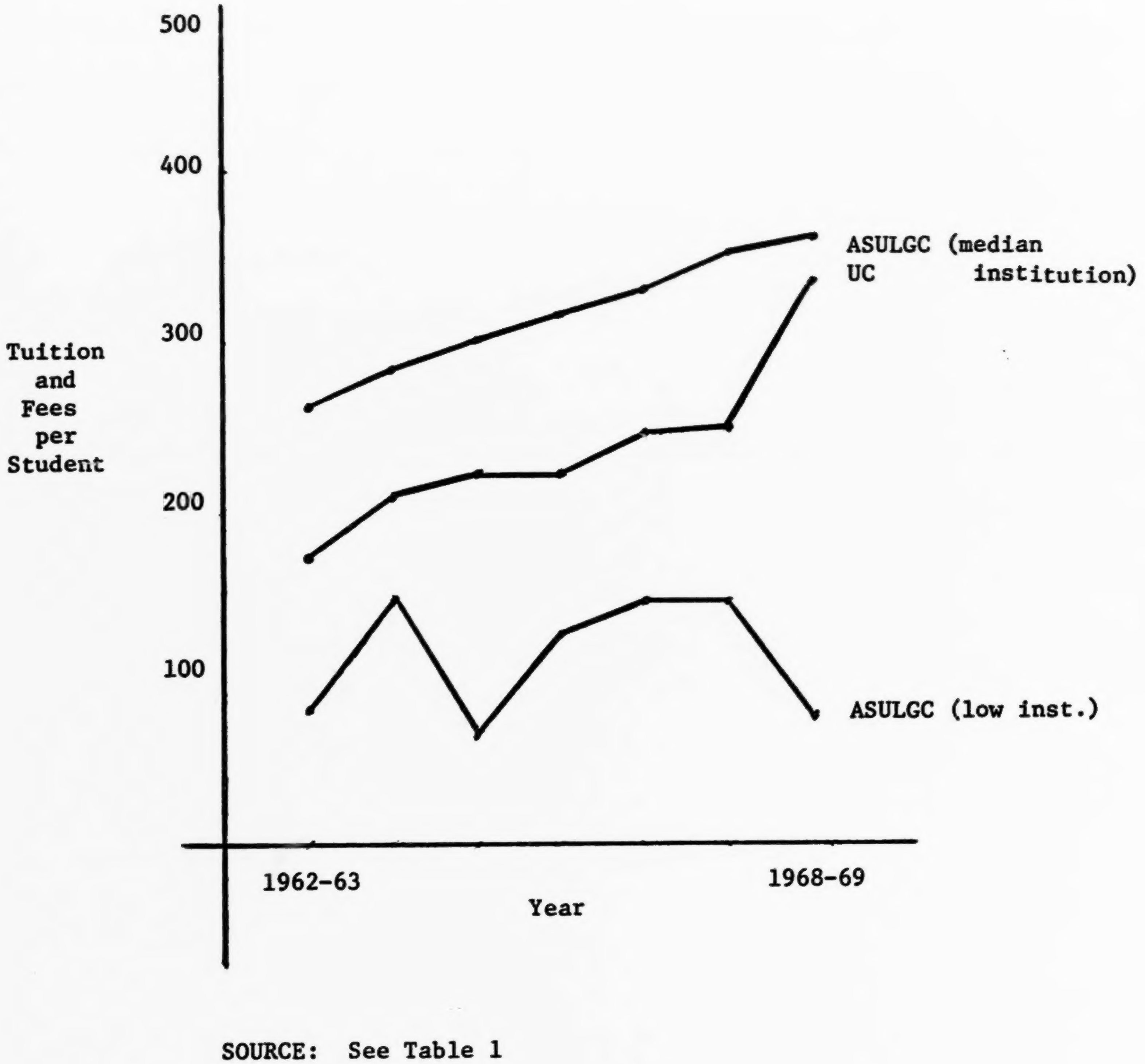
	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69
ASULGC	(n = 94)	(n = 94)	(n = 96)	(n = 96)	(n = 98)	(n = 98)	(n = 104)
Mean	$290	$271	$285	$307	$341	$363	$393
Median	260	282	300	315	330	352	360
Range							
High	1,700	525	575	575	2,050	2,050	2,245
Low	80	144	64	124	144	144	75
UC	171	208	220	220	245	248	334
Rank	80th	N/A	74th	77th	77th	80th	68th

SOURCE: ASULGC Bulletins

APPENDIX C

Figure 1

RESIDENT STUDENT CHARGES
ASSOCIATION OF STATE UNIVERSITIES AND LAND GRANT COLLEGES
AND UNIVERSITY OF CALIFORNIA; 1962-63 THROUGH 1968-69



SOURCE: See Table 1

APPENDIX C

Table 2

STUDENT CHARGES AT STATE INSTITUTIONS
1968-69
National Association of State Universities and Land-Grant Colleges

	TUITION AND FEES	
	Resident	Non-Resident
ALABAMA		
Alabama A & M College	$260	$410
Auburn University	360 (300)	720 (600)
University of Alabama	428 (350)	856 (700)
ALASKA		
University of Alaska	288 (282)	588 (582)
ARIZONA		
Arizona State University	290 (286)	1,105 (1,101)
University of Arizona	289 (279)	1,104 (1,094)
ARKANSAS		
Arkansas A, M & N College	250 (200)	550 (470)
University of Arkansas	270 (250)	700 (650)
CALIFORNIA		
University of California	318-351 (226-267)	1,518-1,551 (1,207-1,248
COLORADO		
Colorado State University	402 (342)	1,284 (1,119)
University of Colorado	416 (368)	1,370 (1,216)
CONNECTICUT		
University of Connecticut	240 (190)	370-450 (320-350)
DELAWARE		
Delaware State College	287	637
University of Delaware	350	945 (820)
DISTRICT OF COLUMBIA		
*Federal City College	75	720
FLORIDA		
Florida A & M University	345	600
Florida State University	375	975
University of Florida	375	975

GEORGIA		
Fort Valley State College	$321 (366)	$651 (696)
Georgia Institute of Technology	378 (375)	1,069 (1,065)
University of Georgia	345 (333)	765 (753)
HAWAII		
University of Hawaii	232	232
IDAHO		
University of Idaho	286 (210)	785 (710)
ILLINOIS		
Southern Illinois University	271 (241)	661 (631)
University of Illinois:		
Urbana-Champaign	282 (270)	862 (850)
*Chicago Circle	288 (285)	867 (864)
INDIANA		
Indiana University	390 (360)	1,020-1,050 (990)
Purdue University	400 (330)	1,200 (950)
IOWA		
Iowa State University	375	1,005
University of Iowa	370	1,000
KANSAS		
Kansas State University	328	788
University of Kansas	341 (338)	801 (798)
KENTUCKY		
Kentucky State College	240	740 (580)
University of Kentucky	280	980 (820)
LOUISIANA		
Louisiana State University	220	620
Southern University	160 (158)	560 (558)
MAINE		
University of Maine	400	1,000
MARYLAND		
Maryland State College	220	370
University of Maryland	404 (366	854 (816)

MASSACHUSETTS		
*Massachusetts Institute of Technology	$2,245 (1,900)	2,245 (1,900)
University of Massachusetts	360 (318)	760 (718)
MICHIGAN		
Michigan State University	369-552 (354-350)	1,260 (1,200)
University of Michigan	480 (420)	1,540 (1,300)
.Wayne State University	411	1,140 (1,050)
MINNESOTA		
University of Minnesota	405 (385)	951 (931)
MISSISSIPPI		
Alcorn A & M College	272 (191)	872 (391)
*Mississippi State University	492 (342)	1,092 (792)
University of Mississippi	506 (356)	1,106 (756)
MISSOURI		
Lincoln University	233-243 (200)	433-443 (400)
University of Missouri	350	850
MONTANA		
Montana State University	383 (377)	990 (984)
University of Montana	371 (362)	978 (969)
NEBRASKA		
University of Nebraska	433	933
NEVADA		
University of Nevada	363 (358)	963 (958)
NEW HAMPSHIRE		
University of New Hampshire	688	1,433
NEW JERSEY		
Rutgers	528	828 (764)
NEW MEXICO		
New Mexico State University	414 (396)	1,044 (906)
University of New Mexico	420 (408)	1,050 (918)

NEW YORK		
Cornell University (endowed)	$2,200 (2,050)	2,200 (2,050)
Statutory Colleges	675-750	1,075-1,150
State University of New York	400	600
NORTH CAROLINA		
N.C. A & T State University	387 (368)	786 (620)
N.C. State University	357	882 (782)
University of North Carolina	326	851 (751)
NORTH DAKOTA		
N.D. State University	360	864 (804)
University of North Dakota	360	864 (804)
OHIO		
Kent State University	522 (510)	1,047 (960)
Miami University	540	1,140 (1,040)
Ohio State University	495 (450)	1,095 (1,008)
Ohio University	510 (495)	1,110 (990)
OKLAHOMA		
Langston University	331	707
Oklahoma State University	388 (364)	928 (904)
University of Oklahoma	360 (384)	900 (960)
OREGON		
Oregon State University	369	999
University of Oregon	369	999
PENNSYLVANIA		
Pennsylvania State University	465-525 (450)	1,200 (1,050)
PUERTO RICO		
University of Puerto Rico	144	144
RHODE ISLAND		
University of Rhode Island	353	1,153
SOUTH CAROLINA		
Clemson University	596 (496)	1,196 (996)
South Carolina State College	360	840
University of South Carolina	480 (455)	1,080 (1,005)

SOUTH DAKOTA		
South Dakota State University	$407 (402)	$934 (929)
University of South Dakota	304	800
TENNESSEE		
*Tennessee A & I State University	224 (214)	599 (589)
University of Tennessee	360 (315)	975 (855)
TEXAS		
Prairie View A & M College	166	466
Texas A & M University	192	492
Texas Southern University	156 (153)	456 (453)
Texas Technological College	206 (201)	509 (459)
University of Houston	204 (202)	504 (502)
University of Texas	144	444
UTAH		
Utah State University	345 (327)	843 (801)
University of Utah	420 (390)	939 (888)
VERMONT		
University of Vermont	677	1,877
VIRGINIA		
Virginia Polytechnic Institute	495 (420)	915 (840)
Virginia State College	534	744
University of Virginia	457 (452)	1,042 (1,037)
WASHINGTON		
University of Washington	345	825
Washington State University	345	825
WEST VIRGINIA		
West Virginia University	280	910
WISCONSIN		
University of Wisconsin:		
Madison Campus	350	1,150
Milwaukee	350	1,150
*Center System	278 (238)	744 (654)
WYOMING		
University of Wyoming	347	963

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* Added from 1967-68 data.

APPENDIX C

Table 3

UNIVERSITY OF CALIFORNIA

STUDENT FEES AND DEPOSITS

1969–70

This booklet is published yearly by the Vice President—Planning and Analysis, and it is the official guide for all University Departments in the area of fees and deposits for the fiscal year indicated.

I. GENERAL UNIVERSITY FEES*

BERKELEY

	Graduate Students		Undergraduate Students	
Fees Per Quarter	*Residents*	*Nonresidents***	*Residents*	*Nonresidents***
[1]Tuition	.....	$400.00	.....	$400.00
[2]University Registration Fee—Fall, Winter, & Spring Qtrs.	$100.00	100.00	$100.00	100.00
Summer Quarter	*80.00*	*80.00*	*80.00*	*80.00*
Berkeley Campus Fees	7.00	7.00	9.75	9.75
Total (F-W-S)	107.00	507.00	109.75	509.75
(Summer)	*$ 87.00*	*$487.00*	*$ 89.75*	*$489.75*

School of Law

Fees Per Semester	*Residents*	*Nonresidents***
[1]Tuition	.....	$600.00
[2]University Registration Fee	$150.00	150.00
Instructional Materials Fee	10.00	10.00
Berkeley Campus Fees	9.75	9.75
Total	$169.75	$769.75

DAVIS

	Graduate Students		Undergraduate Students	
Fees Per Quarter	*Residents*	*Nonresidents***	*Residents*	*Nonresidents***
[1]Tuition	†	$400.00†	.....	$400.00
[2]University Registration Fee	$100.00	100.00	$100.00	100.00
Associated Students Membership	.....	.....	5.00	5.00
Student Union	3.50	3.50	3.50	3.50
Total	$103.50	$503.50	$108.50	$508.50

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* Fees are subject to change without notice.

** Nonimmigrant foreign students are required to pay a Health Insurance Fee.

† See Health Science Resident Tuition. Nonresident Tuition, and Deposits, page 4.

[1] Exemption from this fee may be granted to certain eligible students by the Dean of the Graduate Division on individual application. Full information is available at the office of the Dean of the Graduate Division.

[2] Partial exemption from this fee may be granted to full-time University employees and certain graduate students. Also see Waivers, Exemptions, and Commutation of Fees, page 6.

IRVINE—IRVINE-CALIFORNIA COLLEGE OF MEDICINE

Fees Per Quarter	Graduate Students		Undergraduate Students	
	Residents	*Nonresidents**	*Residents*	*Nonresidents**
[1]Tuition	†	$400.00†	†	$400.00
[2]University Registration Fee	$100.00	100.00	$100.00	100.00
Associated Students Membership	7.00	7.00	7.00	7.00
Total	$107.00	$507.00	$107.00	$507.00

LOS ANGELES

Fees Per Quarter	Graduate Students		Undergraduate Students	
	Residents	*Nonresidents**	*Residents*	*Nonresidents**
[1]Tuition	†	$400.00†	.....	$400.00
[2]University Registration Fee—				
Fall, Winter, & Spring Qtrs.	$100.00	100.00	$100.00	100.00
Summer Quarter	*80.00*	*80.00*	*80.00*	*80.00*
Associated Students Membership	.....	.....	4.50	4.50
Graduate Students Association Membership	3.00	3.00	.....	.....
Student Union	4.00	4.00	4.00	4.00
Total (F-W-Sp)	$107.00	$507.00	$108.50	$508.50
(*Summer*)	*$ 87.00*	*$487.00*	*$ 88.50*	*$488.50*

RIVERSIDE

Fees Per Quarter	Graduate Students		Undergraduate Students	
	Residents	*Nonresidents**	*Residents*	*Nonresidents**
[1]Tuition	.....	$400.00	.....	$400.00
[2]University Registration Fee	$100.00	100.00	$100.00	100.00
‡Associated Students Membership	10.00	10.00	10.00	10.00
Student Center	5.00	5.00	5.00	5.00
Total	$115.00	$515.00	$115.00	$515.00

SAN DIEGO

Fees Per Quarter	Graduate Students		Undergraduate Students	
	Residents	*Nonresidents**	*Residents*	*Nonresidents**
[1]Tuition	†	$400.00†	.....	$400.00
[2]University Registration Fee	$100.00	100.00	$100.00	100.00
Associated Students Membership	.....	.....	6.00	6.00
Total	$100.00	$500.00	$106.00	$506.00

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* Nonimmigrant foreign students are required to pay a Health Insurance Fee.

† See Health Science Resident Tuition, Nonresident Tuition, and Deposits, page 4.

‡ Associated Students membership optional for graduate students and for full-time University employees who register for more than one course.

[1] Exemption from this fee may be granted to certain eligible students by the Dean of the Graduate Division on individual application. Full information is available at the office of the Dean of the Graduate Division.

[2] Partial exemption from this fee may be granted to full-time University employees and certain graduate students. Also see Waivers, Exemptions, and Commutation of Fees, page 6.

SAN FRANCISCO

Fees Per Quarter	Graduate Students	
	Residents	*Nonresidents**
[1]Tuition	†	$400.00†
[2]University Registration Fee	$100.00	100.00
Student Union	10.25	10.25
Total	$110.25	$510.25

SANTA BARBARA

Fees Per Quarter	Graduate Students		Undergraduate Students	
	Residents	*Nonresidents**	*Residents*	*Nonresidents**
[1]Tuition	.....	$400.00	.....	$400.00
[2]University Registration Fee	$100.00	100.00	$100.00	100.00
Associated Students Membership	.....	.....	11.00	11.00
Student Center	6.00	6.00	6.00	6.00
Total	$106.00	$506.00	$117.00	$517.00

SANTA CRUZ

Fees Per Quarter	Graduate Students		Undergraduate Students	
	Residents	*Nonresidents**	*Residents*	*Nonresidents**
[1]Tuition	.....	$400.00	.....	$400.00
[2]University Registration Fee	100.00	100.00	100.00	100.00
College Membership Fee	8.00	8.00	8.00	8.00
Student Facilities Fee	8.00	8.00	8.00	8.00
Campus Programs Fee	3.50	3.50	3.50	3.50
Total	$119.50	$519.50	$119.50	$519.50

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* Nonimmigrant foreign students are required to pay a Health Insurance Fee.

† See Health Science Resident Tuition, Nonresident Tuition, and Deposits, page 4.

[1] Exemption from this fee may be granted to certain eligible students by the Dean of the Graduate Division on individual application. Full information is available at the office of the Dean of the Graduate Division.

[2] Partial exemption from this fee may be granted to full-time University employees and certain graduate students. Also see Waivers, Exemptions, and Commutation of Fees, page 6.

IV. PAYMENT OF FEES

All general University fees and deposits (University registration fee and tuition for nonresidents of California) must be paid at the time of registration. Other fees and deposits may be paid at this time if desired; in any event, all miscellaneous fees should be paid within one week of the date of registration or by the date announced by the Chancellor. An additional charge of $10.00 will be made for failure to pay required fees or deposits by the dates announced.

No claim for remission of fees will be considered unless such claim be presented during the fiscal year to which the claim is applicable.

Receipts or proof of payment are issued for all payments and these should be carefully preserved. No student will be entitled to a refund except after surrender to the Cashier's Office of the student's original receipt, if issued, or cancelled check, money order, or registration card.

V. WAIVERS, EXEMPTIONS, AND COMMUTATION OF FEES

CLAIMS FOR EXEMPTION

Every student who believes himself entitled to one of the below exemptions must apply for a "Fee Exemption Slip" before registering. Without this slip the student will not be permitted to register without payment of the entire fee. Graduate students apply to the Dean of the Graduate Division; undergraduate students first obtain from the Dean of the College or School written permission to undertake the desired course of study and then present the Dean's permit to the Registrar, who will issue the "Fee Exemption Slip."

UNIVERSITY REGISTRATION FEE

This fee covers certain expenses of students for laboratory costs, for athletic and gymnasium facilities and equipment, for counseling and placement as provided on the local campus, and for such consultation, medical advice, and hospital care or dispensary treatment only as can be provided by the local campus Student Health Services, provides for an expansion of the Financial Aids program throughout the University and provides capital improvements oriented toward extracurricular benefits for students. No part of this fee is remitted to students who may not desire to make use of all or any of these privileges, except as noted in footnote 2, page 1. If a student withdraws from the University within the first five weeks from the first day of classes, a part of this fee will be refunded in accordance with the Schedule of Refunds (See page 7).

Under the Financial Aid program, students on the basis of need are eligible for University of California Grants. Applications for the 1969–70 academic year should be on file with the Financial Aids Office as listed below:

Fall Quarter 1969..................January 15, 1969
Winter Quarter 1970................October 15, 1969
Spring Quarter 1970................November 15, 1969
Summer Quarter 1970.............(To be announced)

Students who are classified as residents of the State of California and who have been full-time employees of the University for at least six months immediately prior to the first day of classes may enroll in regular session courses of three units or one course, whichever is greater, upon payment of one-half the University Registration Fee and that portion of the campus fee established to help-pay costs of construction of the Union building. Employees so registered are ineligible for the services and facilities of the Counseling Center, gymnasiums, or the Student Health Service. Fee refunds are not allowed under this reduced fee policy.

SPECIAL EXEMPTION FROM AND COMMUTATION OF NONRESIDENT TUITION FEE

The nonresident tuition fee may be waived in whole or in part in the case of any graduate student (see footnote 1, page 1), or undergraduate foreign student qualified for a University of California Tuition Scholarship or Tuition Grant for Undergraduate Foreign Students, or attending the University in connection with the Education Abroad Program of the University. The fee may also be waived in the case of a nonresident student who is the minor dependent child or the spouse of University academic personnel qualified for voting membership in the Academic Senate, or a nonresident student qualifying under Education Code Section 23058 for credentialed personnel in the public schools.

Classification as a *resident for purposes of tuition only* may be granted to an unmarried minor whose parent is in the active military service of the United States and is stationed in California on the opening day of the quarter during which the unmarried minor proposes to attend the University. Students who believe they qualify under any of these measures should request further information from the Attorney in Residence Matters, 590 University Hall, University of California, Berkeley, California 94720.

SPECIAL EXEMPTION FROM MEDICAL TUITION AND UNIVERSITY REGISTRATION FEE FOR RESIDENT STUDENTS

Exemption from the resident medical tuition fee and University registration fee may be granted under California Education Code Section 10652 to a student who is a dependent receiving assistance under Article 2 (commencing with Section 890) of Chapter 4 of Division 4 of the California Military and Veterans Code or to any child of any veteran of the United States military service who has a service-connected disability, and whose annual income not including governmental compensation for such service-connected disability does not exceed five thousand dollars ($5,000).

COMMUTATION OF FEES FOR GRADUATE STUDENTS AND PART-TIME STUDENTS IN THE ACADEMIC DEPARTMENTS

The nonresident tuition fee (including that charged aliens who have not been lawfully admitted to the United States for permanent residence) at all campuses is $400 per quarter ($600 per semester at the School of Law, Berkeley). For undergraduate students registered in less than 12 quarter units of course instruction the tuition is $34 per unit or fraction thereof. For graduate students the total tuition of $400 per quarter ($600 per semester) is assessed regardless of the number of units registered.

VI. SCHEDULE OF REFUNDS

TUITION AND UNIVERSITY REGISTRATION FEE AND OTHER STUDENT FEES

Prior to[1,2] Day One	1–14[2] days	15–21 days	22–28 days	29–35 days	36 days and over
90%	80%	60%	40%	20%	0%

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[1] The schedule of refunds refers to calendar days, beginning with the first day of instruction. Percentages listed (days 1-35) should be applied to Tuition, University Registration Fee, and other student fees. The nonrefundable portion of these fees paid by continuing readmitted and new graduate students.effective prior to the first day of the term, shall be 10 percent of the fee or $10.00; whichever is smaller.

[2] For a student who has paid the $50 Acceptance of Admission Fee, refunds shall be computed in accordance with the scheduled percentages except that the amount of the refund applicable to the University Registration Fee shall in no case exceed $50. (Not to exceed $30 during Summer Quarter.)

II. HEALTH SCIENCE RESIDENT TUITION, NONRESIDENT TUITION, AND DEPOSITS

RESIDENT AND NONRESIDENT TUITION

Resident quarterly tuition fees are charged only in the curricula shown below:

School of Medicine	*School of Dentistry*	*School of Pharmacy*[1]
Medical Doctor.......$83.00	Doctor, Dental Surgery.. *	Doctor of Pharmacy...$67.00

*$200 per 3 quarter or 4 quarter year

Tuition charged to medical students is $250 for California residents *per year* for each year of attendance required by the curriculum, regardless of whether such a year extends over three quarters or four quarters.

Tuition charged to medical students is $1200 for nonresidents per year for each year of attendance required by the curriculum, regardless of whether such a year extends over three quarters or four quarters.

DEPOSITS

Deposit fees are required upon acceptance of appointment as a matriculant and are deducted from tuition fees as follows: (Same as Acceptance of Admission Fee).[2]

School of Dentistry............	$50	School of Pharmacy............	$25
School of Medicine............	$50	Physical Therapy Curricula.......	$25

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[1] Partial exemption from the resident and nonresident tuition fee may be granted to part-time students. See announcement of the School of Pharmacy, San Francisco campus. Also see Waivers, Exemptions, and Commutation of Fees, page 6.

[2] Nonrefundable in all cases, even when student withdraws subsequent to registration. See footnote (2) to Schedule of Refunds, page 7.

III. MISCELLANEOUS FEES, FINES, AND PENALTIES

FEES

Undergraduate Acceptance of Admission Fee[1] (nonrefundable, applied toward University Registration Fee)	50.00
Application Fee (includes readmissions and intercampus transfers)[1]	10.00
Candidacy for Ph.D., Ed.D., D.Eng., D.L.S., D.S.W., D.Crim., or D.P.H.	25.00
Health Certificate for Prospective Teachers	10.00
Master's Thesis and Doctoral Dissertation Filing Fee[2]	50.00
Reinstatement Fee	10.00
Removal of Grade E or I (each petition)	5.00
Special Course Subject A	45.00
Special Library Borrowing Privilege	
Per Year, nonrefundable, renewable	10.00
Six Months, nonrefundable, nonrenewable	5.00
Transcript of Record (each)	1.00

FINES AND PENALTIES

Breakage (Charges will be assessed by department based on actual replacement costs)	....
Changes in Study List After Announced Dates (each petition)	3.00
Duplicate Diploma	20.00
Duplicate Registration and/or Other Cards from Registration Packet (each petition)	3.00
Duplicate Student Identification Card (each petition)	3.00
Late Filing of Announcement of Candidacy for A.B., B.S., B. or Arch., B. Land. Arch., or D. Opt.	10.00
Late Filing of Study List	10.00
Late Payment of Fees	10.00
Late Registration[3]	10.00
Returned Check Collection	5.00

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[1] Nonrefundable in all cases, even when student withdraws subsequent to registration. See footnote (2) to Schedule of Refunds, page 7.

[2] To be paid at the time specified by the Dean of each Graduate Division in lieu of Registration Fee and/or Nonresident Tuition Fee if not registered during the quarter in which the thesis or dissertation is filed and/or final formal examinations are scheduled.

[3] See Payment of Fees, page 6.

APPENDIX C

Table 4

RESIDENT STUDENT CHARGES
AMERICAN ASSOCIATION OF STATE COLLEGES AND UNIVERSITIES
1966-67 to 1968-69

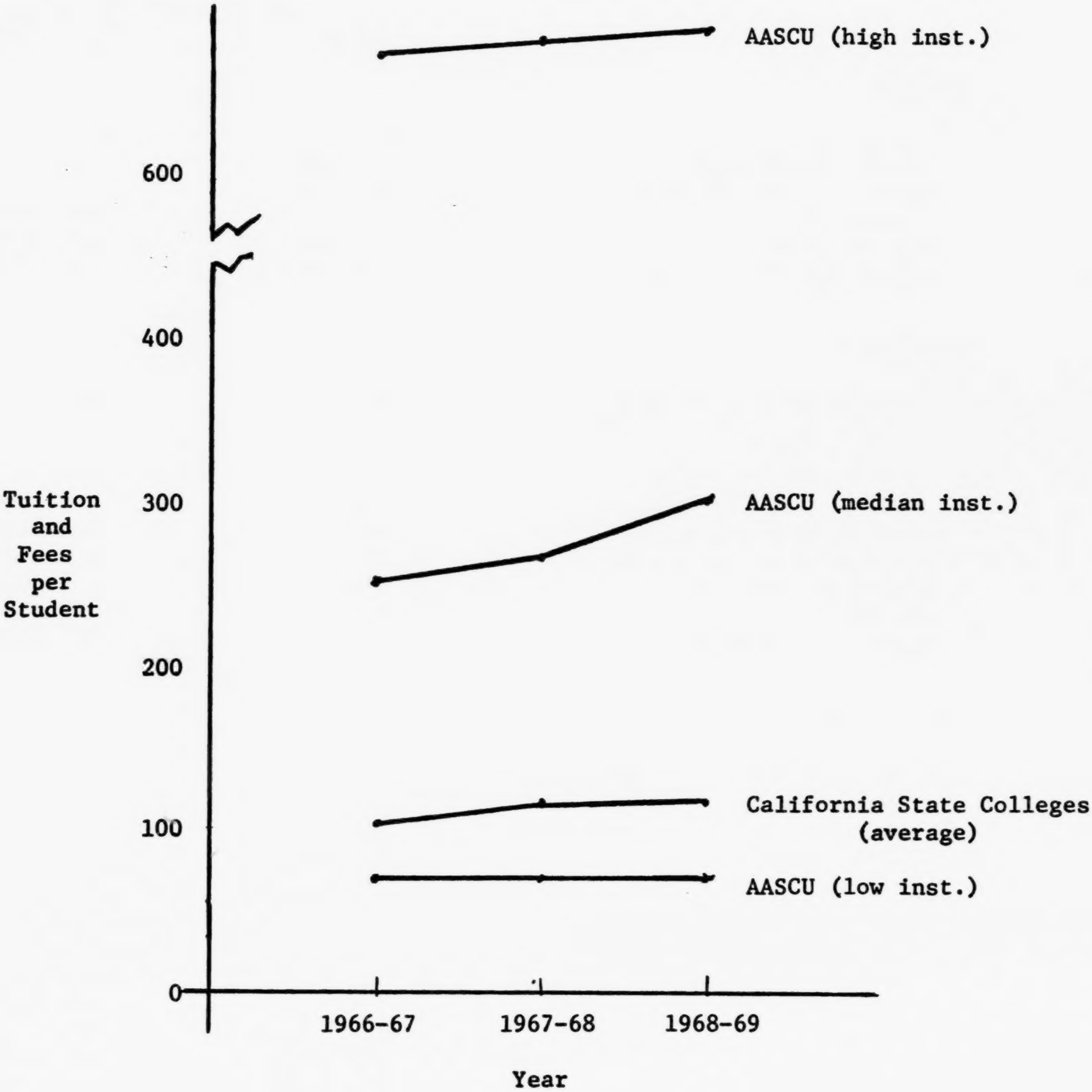
	1966-67	1967-68	1968-69
AASCU	(n = 193)	(n = 225)	(n = 225)
Mean	$250	$272	$347
Median	250	265	300
Range			
High	670	680	685
Low	70	70	70
CSC	101	116	117
Rank	187th	218th	218th

SOURCE: AASCU reports.

APPENDIX C

Figure 2

AVERAGE RESIDENT STUDENT CHARGES AMERICAN ASSOCIATION OF STATE COLLEGES AND UNIVERSITIES AND CALIFORNIA STATE COLLEGES 1966-67, 1967-68, 1968-69



SOURCE: See Table 1

Table 5
TUITION AND REQUIRED FEES at Member Institutions of the American Association of State Colleges and Universities, by State — 1968-69

(Figures shown are for the typical full-time undergraduate students, for two semesters, two trimesters, or three quarters. Where this year's figures differ from last year's, last year's rate is shown in parenthesis.)

Institution	Undergraduate Tuition and Required Fees: Resident	Undergraduate Tuition and Required Fees: Non-Resident
ALABAMA		
Alabama College	$295	$505
Alabama State College	260 (200)	410
Florence State University	315 (265)	495 (415)
Livingston University	300 (261)	480 (411)
Troy State University	315 (263)	495 (413)
University of South Alabama	396 (327)	546 (477)
ARIZONA		
Northern Arizona University	272	590
ARKANSAS		
Arkansas A & M College	250 (200)	270
Arkansas Polytechnic College	250 (200)	590 (470)
Arkansas State University	257 (207)	527 (477)
Henderson State College	250 (200)	590 (470)
Southern State College	250 (200)	520 (470)
State College of Arkansas	260 (210)	600 (480)
CALIFORNIA		
California State Colleges:		
Fullerton	120 (116)	1,010 (836)
Hayward	107	997 (827)
Long Beach	121	1,021 (841)
Los Angeles	115	890 (721)
San Bernardino	116 (107)	998 (830)
Bakersfield	not available	-
Polytechnic College - Pomona	107 (120)	997 (840)
Polytechnic College - San Luis Obispo	123	1,013 (843)
Chico	118 (114)	1,008 (834)
Fresno	128	848
Humboldt	114 (113)	1,004 (833)
Sacramento	116 (114)	1,006 (948)
San Diego	119	1,009 (839)
San Jose	124	904 (844)
Sonoma	114 (112)	890 (600)
Stanislaus	109 (112)	890 (720)

Institution	Undergraduate Tuition and Required Fees	
	Resident	Non-Resident
COLORADO		
Adams State College	$384 (332)	$834 (729)
Colorado State College	345 (293)	795 (698)
Metropolitan State Colleges	345 (261)	795 (660)
Southern Colorado State College	354 (291)	804 (690)
Western State College of Colorado	396 (342)	846 (741)
CONNECTICUT		
Central Connecticut State College	184	484 (184)
Eastern Connecticut State College	100	400 (100)
Southern Connecticut State College	171 (167)	471 (167)
Western Connecticut State College	100	400 (100)
DISTRICT OF COLUMBIA		
D.C. Teachers College	70	1,184 (1,126)
Federal City College	75	720
FLORIDA		
Florida A & M University	345	945
Florida Atlantic University	375	975
Florida Technological University	375	600
University of West Florida	375	975 (600)
GEORGIA		
Albany State College	330 (315)	660 (645)
Armstrong State College	291 (285)	621 (615)
Augusta College	285	330
Columbus College	100 (81)	210 (156)
Georgia College at Milledgeville	363 (351)	693 (681)
Georgia Southern College	255	585
Savannah State College	321	651
Valdosta State College	315	330
GUAM		
University of Guam	180*(170)	360 (290)
ILLINOIS		
Chicago State College	160	290
Eastern Illinois University	267 (235)	747 (406)
Illinois State University	247 (225)	727 (395)
Northeastern Illinois State College	180	660
Northern Illinois University	260 (259)	740 (429)

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*In-state tuition free for freshmen and sophomores.

INDIANA		
Ball State University	$390 (321)	$720 (567)
Indiana State University	384 (320)	768 (640)
IOWA		
University of Northern Iowa	398 (372)	728 (702)
KANSAS		
Fort Hays Kansas State College	243	508
Kansas State College of Pittsburg	242 (220)	507
Kansas State Teachers College	240 (235)	505 (500)
Wichita State University	317	778
KENTUCKY		
Eastern Kentucky University	260 (240)	760 (580)
Morehead State University	240	740 (580)
Murray State University	240	740 (580)
Western Kentucky University	250 (240)	750 (580)
LOUISIANA		
Francis T. Nicholls State College	162	562
Grambling College		
Louisiana Polytechnic Institute	188 (160)	590
McNeese State College	172 (170)	400
Northeast Louisiana State College	148	548 (748)
Northwestern State College	260	660 (860)
MAINE		
Aroostook State College	180 (170)	280 (270)
Farmington State College	157	257
Fort Kent State College	172	282
Gorham State College	165	265
Maine Maritime Academy	685 (680)	960 (955)
Washington State College	100	200
MARYLAND		
Bowie State College	310 (243)	566 (505)
Coppin State College	280 (255)	530 (505)
Frostburg State College	365 (315)	615 (565)
Morgan State College	325 (257)	625 (557)
St. Mary's College of Maryland	300	550
Salisbury State College	295 (275)	745 (725)
Towson State College		
MASSACHUSETTS		
Massachusetts College of Art	200	600
Massachusetts Maritime Academy	340	340

MASSACHUSETTS (Cont.)

Boston State College	$250 (230	$650 (630)
Bridgewater State College		
Fitchburg State College	200	600
Framingham State College	200	600
Lowell State College	250 (235)	650 (635)
North Adams State College	250 (200)	650 (600)
Salem State College	245	645
Westfield State College	200	600
Worcester State College	250 (230)	650 (630)

MICHIGAN

Central Michigan University	420 (390)	810 (780)
Eastern Michigan University	390	930
Ferris State College	324 (300)	774 (750)
Grand Valley State College	375	900
Lake Superior State College	390 (381)	960 (780)
Northern Michigan University	390	780

MINNESOTA

Bemidji State College	300	444
Mankato State College	300	384
Moorhead State College	300	444
St. Cloud State College	300	444
Southwest Minnesota State College	300	396
Winona State College.	300	444

MISSISSIPPI

Alcorn A & M College	272 (191)	872 (491)
Delta State College	380 (280)	980 (630)
Jackson State College	300 (258)	900 (608)
Mississippi State College for Women	455 (355)	1,055 (670)
Mississippi Valley State College	281 (241)	881 (591)
University of Southern Mississippi	414 (312)	1,014 (762)

MISSOURI

Central Missouri State College	228 (221)	458 (441)
Harris Teachers College	150	-
Missouri Southern State College	260 (200)	380 (300)
Missouri Western State College	205 (150)	310 (227)
Northeast Missouri State College	210 (180)	429 (399)
Northwest Missouri State College	220	440
Southeast Missouri State College	160	440
Southwest Missouri State College	220 (200)	480

MONTANA

Eastern Montana College	372 (351)	979 (958)
Northern Montana College	360 (345)	967 (952)
Western Montana College	322	929

NEBRASKA		
Chadron State College	$330	$610
Kearney State College	360 (350)	640 (630)
Peru State College	350	630
Wayne State College	355	635
NEW HAMPSHIRE		
Keene State College	400	800
Plymouth State College	445	845
NEW JERSEY		
Glassboro State College	459 (259)	809
Jersey City State College	431 (231)	781
Montclair State College	449 (264)	799
Newark State College	439 (254)	789
Paterson State College	485 (244)	807
Trenton State College	439 (239)	789
NEW MEXICO		
Eastern New Mexico University	324 (320)	744 (740)
Western New Mexico University	313	852 (732)
NEW YORK		
State University College - Brockport	490**(516)	690**(716)
State University College - Buffalo	483	683
State University College - Cortland	544 (538)	744 (738)
State University College - Fredonia	425	625
State University College - Geneseo	425	625
State University College - New Paltz	486 (474)	686 (674)
State University College - Old Westbury	400	600
State University College - Oneonta	517 (513)	717 (713)
State University College - Oswego	479 (488)	679 (688)
State University College - Plattsburgh	500	700
State University College - Potsdam	535 (515)	735 (715)
State University of New York at Albany	426	626
State University of New York at Buffalo	425***	625***
NORTH CAROLINA		
Appalachian State University	434 (401)	884 (656)
Acheville-Biltmore College	386 (376)	706 (516)
East Carolina University	303 (279)	735 (531)
Elizabeth City State College	360 (322)	710 (517)
Fayetteville State College	284 (259)	684 (459)
North Carolina College at Durham	288 (261)	738 (611)
Pembroke State College	250	600
Winston-Salem State College	303 (280)	703 (480)

** Health insurance voluntary this year.

***Anactivities fee (amount undetermined) will become mandatory if approved by student vote.

NORTH DAKOTA

Dickison State College		
Mayville State College	$274 (270)	$604 (600)
Minot State College	321 (306)	645 (630)
University of North Dakota-Ellendale	210	540
Valley City State College	287 (275)	617 (608)

OHIO

Bowling Green State University	540 (520)	1,140 (1,070)
Central State University	463	863
University of Akron	540 (456)	1,140 (1,000)
Youngston State University	450	750 (675)

OKLAHOMA

Northeastern State College	285	638
Southeastern State College	306	682

OREGON

Eastern Oregon College	345 (333)	645 (633)
Southern Oregon College	345 (333)	645 (633)

PENNSYLVANIA

Bloomsburg State College	400 (300)	750 (600)
California State College	350 (250	750 (600)
Cheyney State College	350 (250)	804 (600)
Clarion State College	350 (300)	800 (640)
East Stroudsburg State College	456 (336)	886 (726)
Edinboro State College	390 (290)	640
Indiana University of Pennsylvania	280	600
Kutztown State College	350 (250)	750 (600)
Lock Haven State College	370 (250)	750 (600)
Mansfield State College	410 (310)	750 (600)
Millersville State College	350 (250)	686 (586)
Shippensburg State College	360 (255)	800 (640)
Slippery Rock State College	410 (310)	750 (600)
West Chester State College	350 (250)	750 (600)

RHODE ISLAND

Rhode Island College	320 (270)	905 (855)

SOUTH DAKOTA

Black Hills State College	373 (361)	704 (697)
General Beadle State College	202 (190)	370 (358)
Northern State College	285	600
Southern State College	379 (353)	715 (689)

TENNESSEE		
Austin Peay State College	$213	$588
East Tennessee State University	225	600
Memphis State University	235 (225)	610 (600)
Middle Tennessee State University	218	593
Tennessee Technological University	230	605
TEXAS		
East Texas State University	190 (182)	490 (482)
Midwestern University	170	470
North Texas State University	164 (154)	464 (454)
Southwest Texas State College	170	470
Stephen F. Austin State College	186 (88)	243 (238)
Sul Ross State College		
Texas A & I University	150 (146)	450 (446)
Texas Woman's University		
West Texas State University	192 (186)	492 (486)
UTAH		
College of Southern Utah	339 (294)	738 (600)
Weber State College	345 (315)	735 (705)
VERMONT		
Castleton State College	346	1,076 (846)
Johnson State College	356	1,106 (856)
Lyndon State College	346	1,096 (846)
VIRGINIA		
Longwood College	370 (365)	670 (665)
Madison College	424 (399)	744 (719)
Radford College	345	645
Virginia Commonwealth University	400	700 (600)
WASHINGTON		
Central Washington State College	264	471
Eastern Washington State College	264	471
Western Washington State College	264	471
WEST VIRGINIA		
Concord College	210	810 (660)
Shepherd College	214 (206)	814 (656)
WISCONSIN		
Stout State University	328 (326)	744 (742)
Wisconsin State University-Eau Claire	332 (324)	748 (740)
Wisconsin State University-La Crosse	338	754
Wisconsin State University-Oshkosh	326 (316)	742 (732)

WISCONSIN (Cont.)

Wisconsin State University-Platteville	$334 (326)	$750 (722)
Wisconsin State University-River Falls	332 (320)	750 (735)
Wisconsin State University-Stevens Point	329 (322)	745 (738
Wisconsin State University-Superior	340 (332)	756 (748)
Wisconsin State University-Whitewater	318 (310)	734 (726)

APPENDIX C

Table 6

CALIFORNIA STATE COLLEGE FEES
1969-70

	Material and Services Fee	Activity Card	College Union	Application Fee	Total
CSC at Dominguez Hills	$102.00	$20.00	--	$10.00	$132.00
CSC at Fullerton	102.00	18.00	$16.00	10.00	146.00
CSC at Hayward	102.00	20.00	--	10.00	132.00
CSC in Kern County (1970)	--	--	--	--	--
CSC at Long Beach	102.00	19.00	16.00	10.00	147.00
CSC at Los Angeles	102.00	30.00	15.00	10.00	157.00
CSC at San Bernardino	102.00	19.50	--	10.00	131.50
Cal Poly at Pomona	102.00	20.00	--	10.00	132.00
Cal Poly at San Luis Obispo	102.00	20.00	16.00	10.00	148.00
Chico State	102.00	20.00	16.00	10.00	148.00
Fresno State	102.00	24.00	18.00	10.00	154.00
Humboldt State	102.00	24.00	12.00	10.00	148.00
Sacramento State	102.00	20.00	12.00	10.00	144.00
San Diego State	102.00	19.00	14.00	10.00	145.00
San Fernando Valley State	102.00	20.00	6.00	10.00	138.00
San Jose State	102.00	20.00	18.00	10.00	150.00
Sonoma State	102.00	18.00	12.00	10.00	142.00
San Francisco State	102.00	20.00	12.00	10.00	134.00
Stanislaus State	102.00	20.00	12.00	10.00	144.00

SOURCE: State College Catalogue

APPENDIX D

Table I

ENROLLMENT-RELATED EXPENDITURES[1]
CALIFORNIA STATE COLLEGES 1958-59 to 1969-70

Year	Current Expenditures (in millions)	Enrollment FTE	Current Expenditures per FTE	Constant (in 1969-70 dollars) Expenditures per FTE
1958-59	$ 53.3	56,634	$ 941	$1,532
1959-60	63.1	61,606	1,024	1,607
1960-61	76.2	69,332	1,099	1,608
1961-62	87.1	77,343	1,126	1,626
1962-63	101.1	86,719	1,166	1,617
1963-64	114.7	96,831	1,185	1,615
1964-65	130.6	109,185	1,196	1,591
1965-66	153.8	117,551	1,308	1,619
1966-67	186.6	130,468	1,430	1,666
1967-68	215.1	147,361	1,460	1,621
1968-69	270.4	161,295	1,676	1,739
1969-70	327.4	180,815	1,811	1,811

STATE COST PER STUDENT

Year	Current Expenditures (in millions)	Current Expenditures per FTE	Constant (in 1969-70 dollars) Expenditures per FTE
1958-59	$ 48.9	863	1,405
1959-60	56.0	909	1,426
1960-61	68.5	988	1,445
1961-62	76.9	994	1,435
1962-63	89.0	1,026	1,423
1963-64	99.9	1,032	1,406
1964-65	114.6	1,050	1,397
1965-66	138.6	1,179	1,460
1966-67	165.0	1,265	1,474
1967-68	192.7	1,308	1,452
1968-69	238.9	1,481	1,537
1969-70	288.2	1,594	1,594

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[1] Exclusive of organized research and public services.

APPENDIX D

Table 2

CALIFORNIA STATE COLLEGES, COMPARISON OF TRUSTEES' BUDGET REQUESTS AND FINAL STATE APPROPRIATIONS 1961-62 to 1969-70

OPERATING BUDGET

Year	(in millions) Trustees' Requests[1]	Final State Appropriations[1]	Percentages
1961-62	$ 80.7	$ 73.5	91.0%
1962-63	90.7	80.1	89.2
1963-64	104.5	100.1	99.7
1964-65	121.6	112.9	92.9
1965-66	150.1	131.8	87.8
1966-67	171.7	166.5	97.0
1967-68	213.2	187.9	88.1
1968-69	249.9	224.4	89.8
1969-70	299.0	275.0	92.0

CAPITAL BUDGET

Year	(in millions) Trustees' Requests[1]	Final State Appropriations[1]	Percentages
1961-62	N/A	N/A	--
1962-63	N/A	N/A	--
1963-64	$ 76.5	$ 42.1	55.0%
1964-65	70.6	58.2	82.5
1965-66	80.1	47.4	59.2
1966-67	66.7	53.4	80.2
1967-68	87.6	60.1	68.6
1968-69	107.8	44.9	41.7
1969-70	114.3	30.7	26.9

SOURCE: Chancellor's Office.

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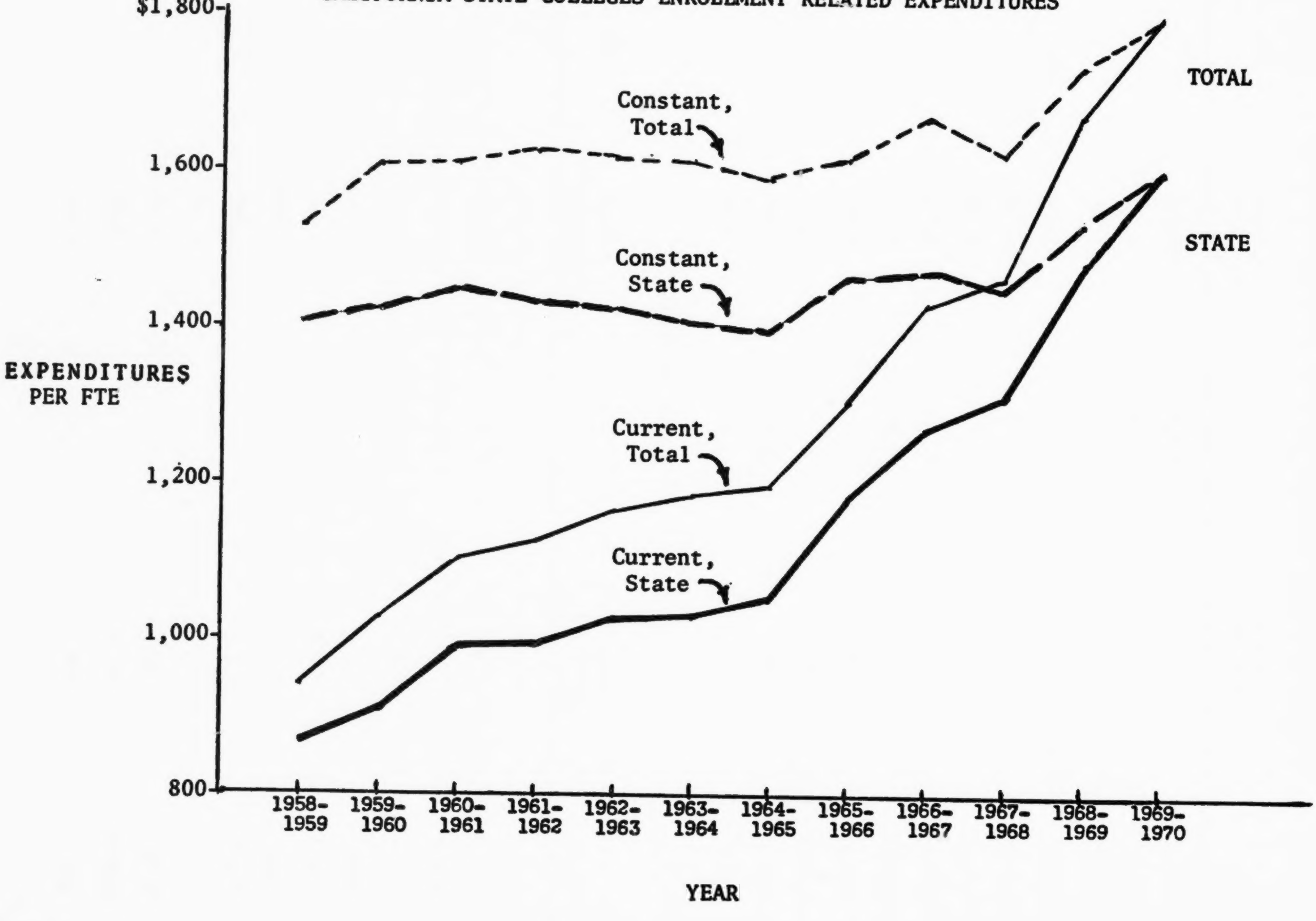
[1] Data do not include salary increase requests.

APPENDIX D

Figure 1

CALIFORNIA STATE COLLEGES ENROLLMENT RELATED EXPENDITURES



APPENDIX D

Table 3

ENROLLMENT-RELATED EXPENDITURES[1] UNIVERSITY OF CALIFORNIA 1958-59 to 1969-70

Year	Current Expenditures (in millions)	Enrollment FTE	Current Expenditures per FTE	Constant (in 1969-70 dollars) Expenditures per FTE
1958-59	$ 67.8	39,608	$1,712	$2,527
1959-60	74.4	41,036	1,813	2,577
1960-61	85.2	45,356	1,879	2,554
1961-62	94.9	49,677	1,910	2,536
1962-63	110.2	53,638	2,054	2,617
1963-64	128.7	59,364	2,168	2,713
1964-65	147.9	65,663	2,252	2,759
1965-66	177.4	73,663	2,408	2,830
1966-67	213.4	79,293	2,691	3,082
1967-68	244.2	89,072	2,743	3,028
1968-69	284.2	96,451	2,946	3,058
1969-70	313.4	101,481	3,088	3,088

STATE COST PER STUDENT

Year	Current Expenditures (in millions)	Current Expenditures per FTE	Constant (in 1969-70 dollars) Expenditures per FTE
1958-59	$ 53.0	$1,339	$1,976
1959-60	58.1	1,416	2,013
1960-61	66.7	1,471	1,999
1961-62	74.3	1,496	1,986
1962-63	86.2	1,607	2,048
1963-64	100.8	1,698	2,125
1964-65	115.5	1,759	2,155
1965-66	138.7	1,883	2,213
1966-67	167.0	2,106	2,412
1967-68	182.1	2,152	2,376
1968-69	223.9	2,321	2,409
1969-70	248.8	2,452	2,452

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[1] Excludes organized research and public service. Includes expenditures for health sciences.

APPENDIX D

Table 4

UNIVERSITY OF CALIFORNIA, COMPARISON OF REGENTS' BUDGET REQUESTS AND FINAL STATE APPROPRIATIONS 1958-59 to 1969-70

OPERATING BUDGET

Year	(in millions) Regents' Requests[1]	(in millions) Final State Appropriations[1]	Percentages
1958-59	$ 96.2	$ 94.9	98.8%
1959-60	102.4	95.3	93.1
1960-61	119.5	113.9	95.3
1961-62	136.6	133.3	97.6
1962-63	146.8	145.0	98.8
1963-64	160.3	155.5	97.0
1964-65	177.8	172.3	96.9
1965-66	206.6	193.1	93.6
1966-67	236.4	230.7	97.6
1967-68	277.9	230.3	82.9
1968-69	311.6	276.5	88.7
1969-70	340.1	314.3	92.2

CAPITAL BUDGET

Year	(in millions) Regents' Requests[1]	(in millions) Final State Appropriations[1]	Percentages
(Previous years N/A)			
1960-61	$ 85.3	$ 50.7	59.4%
1961-62	65.7	48.0	73.1
1962-63	67.9	54.3	79.9
1963-64	74.3	70.9	95.5
1964-65	78.4	63.7	81.2
1965-66	79.7	58.9	73.9
1966-67	91.8	67.9	74.0
1967-68	115.6	58.2	50.4
1968-69	79.6	47.6	59.7
1969-70	96.7	33.4	34.6

SOURCE: University Statewide Office.

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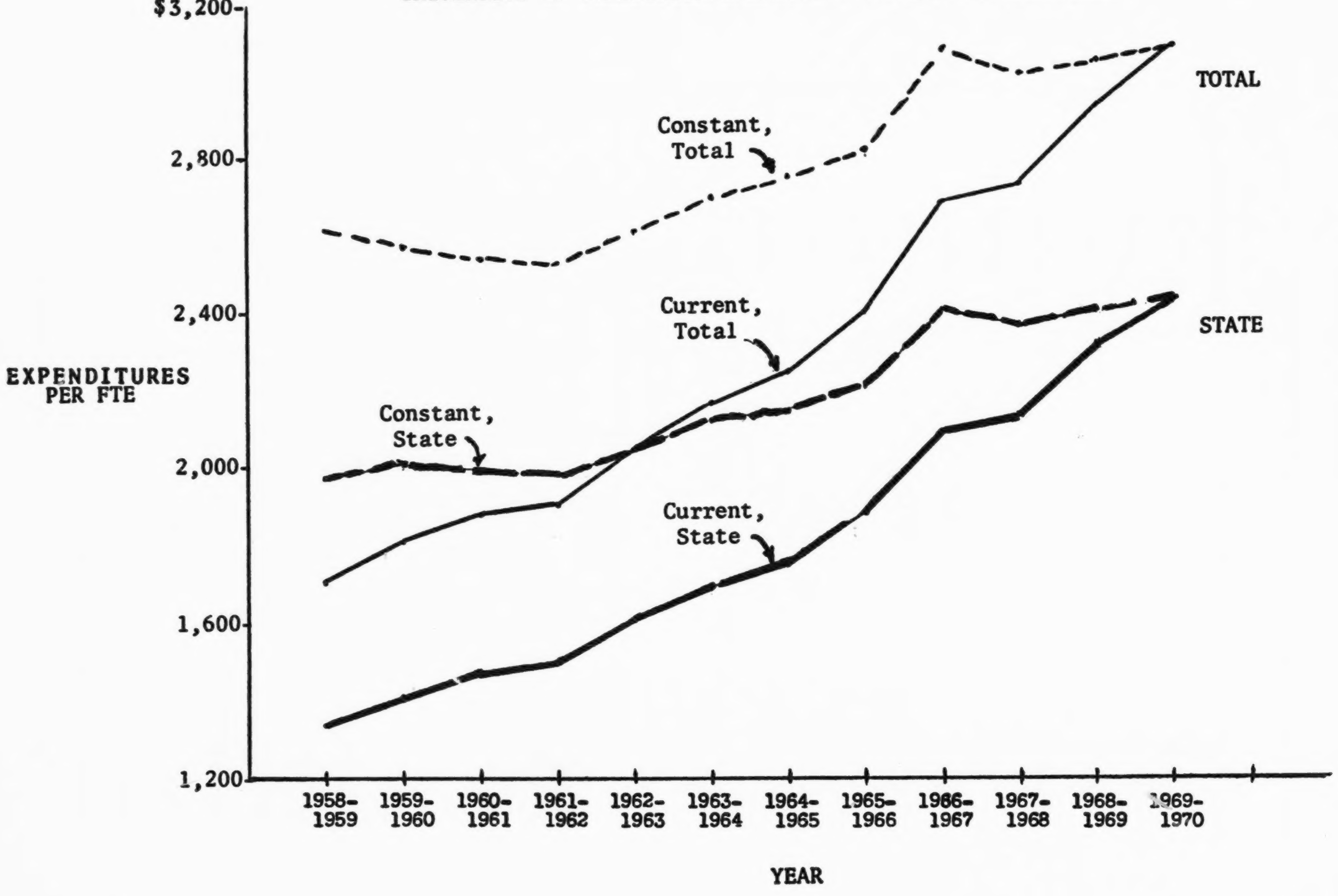
[1] Data do not include salary increase requests.

APPENDIX D

Figure 2

UNIVERSITY OF CALIFORNIA ENROLLMENT RELATED EXPENDITURES



APPENDIX E

Table 1

INDICES OF GROWTH, CALIFORNIA 1958-59 THROUGH 1969-70

	(1) Personal Income (Millions)	(2) Population (Thousands)	(3) Income/ Capita	(4) Enrollment UC & CSC (Millions)	(5) UC & CSC Total Enrollment Related Expenditures (Millions)	(6) UC & CSC Enrollment Related Expenditures State Portion (Millions)	(7) (6) as % of (1)	(8) [1]General and Special Expenditures, State Operations and Local Assistance (Millions)	(9) (6) as % of (8)
1958-59	$37,361	14,741	$2,534	96,242	$121.1	$101.9	.27	$1677.4	6.1
1959-60	41,010	15,288	2,682	102,642	137.5	114.1	.27	1846.1	6.2
1960-61	42,980	15,863	2,709	114,688	161.4	135.2	.31	2021.5	6.7
1961-62	45,678	16,453	2,776	127,020	182.0	151.2	.33	2130.6	7.1
1962-63	49,051	17,044	2,878	140,357	211.3	175.2	.35	2357.4	7.4
1963-64	52,615	17,670	2,978	156,195	243.4	200.7	.38	2614.2	7.7
1964-65	56,570	18,209	3,107	174,848	278.5	230.1	.40	2953.9	7.8
1965-66	60,234	18,726	3,217	191,214	331.2	277.3	.46	3259.7	8.5
1966-67	65,208	19,132	3,408	209,761	400.0	332.0	.50	3735.4	8.9
1967-68	70,204	19,478	3,604	236,433	459.3	374.8	.53	4112.2	8.1
1968-69	76,100[2]	19,782	3,847	257,746	554.6	462.8	.60	4803.2	9.6
1969-70	81,500[2]	20,115	4,052	282,296	640.8	536.8	.65	5394.3[3]	10.0

[1] Excludes bond funds.
[2] Estimated.
[3] Excludes special appropriation bills.

SOURCES: Governor's Budgets; California Statistical Abstract.

APPENDIX E

Table 2

PUBLIC UNIVERSITIES
DISTRIBUTION OF INCOME SOURCES
(EXCEPT ORGANIZED ACTIVITIES, ORGANIZED RESEARCH)
1965-66

	TOTAL SAMPLE		TOTAL SAMPLE LESS CALIFORNIA		CALIFORNIA	
	Amount (in $000,000's)	Percent of Educational and General	Amount (in $000,000's)	Percent of Educational and General	Amount (in $000,000's)	Percent of Educational and General
Educational and General:						
Student Fees	$ 462.0	19.4%	$ 423.2	19.8%	$ 38.8	16.3%
Federal Government	231.8	9.7	211.2	9.9	20.6	8.7
State Government	1,504.6	63.2	1,335.9	62.4	168.8	70.8
Local Government	16.8	.7	16.8	.8	-	-
Endowment Earnings	19.4	.8	16.9	.8	2.5	1.1
Private Gifts and Grants	51.0	2.1	47.3	2.2	3.7	1.6
Sales and Services	13.4	.6	13.4	.6	-	-
Other Educational and General	81.3	3.4	77.4	3.6	3.8	1.6
Total Educational and General	$2,380.3	100 %	$2,142.1	100 %	$ 238.2	100 %
Non-Educational and General Income*	833.3		791.4		41.9	
TOTAL	$3,213.6		$2,933.5		$ 280.1	

SOURCE: CCHE sample of U.S. Office of Education data from 1965-66 HEGIS survey.

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*Student Aid and Auxiliary Enterprises.

APPENDIX E

Table 3
PUBLIC FOUR-YEAR COLLEGES
DISTRIBUTION OF INCOME SOURCES
(EXCEPT ORGANIZED ACTIVITIES, ORGANIZED RESEARCH),
1965-66

	TOTAL SAMPLE		TOTAL SAMPLE LESS CALIFORNIA		CALIFORNIA	
	Amount (in $000,000's)	Percent of Educational and General	Amount (in $000,000's)	Percent of Educational and General	Amount (in $000,000's)	Percent of Educational and General
Educational and General						
Student Fees	$ 206.1	22.3%	$ 186.2	24.2%	$ 19.9	13.0%
Federal Government	26.5	2.9	23.5	3.1	3.0	1.9
State Government	629.1	68.1	501.6	65.1	127.5	83.5
Local Government	38.8	4.2	38.6	5.0	.2	.1
Endowment Earnings	1.4	.2	1.4	.2	-	-
Private Gifts and Grants	4.7	.5	4.4	.6	.3	.2
Sales and Services	3.4	.4	3.1	.4	.3	.2
Other Educational and General	13.7	1.5	12.1	1.6	1.6	1.0
Total Educational and General	$ 923.7	100 %	$ 770.9	100 %	$ 152.8	100 %
Non-Educational and General Income*	315.8		288.0		27.8	
TOTAL	$1,239.5		$1,058.9		$ 180.6	

SOURCE: See Table 2.

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*Student Aid and Auxiliary Enterprises.

APPENDIX F

Table 1

DISTRIBUTION OF STUDENT CHARGES BY OBJECT, 1965-66

Public Universities	Dollars (millions)	Percentage
Current Operations		
Tuition and Fees	$ 499.2	39.8%
Room, Board, and Personal Services Charge	695.3	55.5
Capital Outlay		
Student Fees	58.5	4.7
	$1,253.0	100 %
Public Four-Year Colleges		
Current Operations		
Tuition and Fees	$ 218.9	41.8%
Room, Board, and Personal Services Charge	285.3	54.5
Capital Outlay		
Student Fees	19.2	3.7
	$ 523.4	100 %

SOURCE: Sample of U. S. Office of Education data from 1965-66 HEGIS Survey.

APPENDIX G

CAPITAL CONSTRUCTION PROGRAM FUNDING STATE UNIVERSITY OF NEW YORK[1]

STATE UNIVERSITY CONSTRUCTION

Sources of Funding

Current Revenues
State Bonds
*Federal Aid
*Bonds issued by N.Y.S. Housing Finance Agency
*Bonds issued by N.Y.S. Dormitory Authority

*Reimbursements of funds advanced to State University and to the State University Construction Fund.

Current Revenues:

Alterations and improvements to existing State University facilities which are not major in nature are financed from current revenues (hard dollar).

Higher Education Bonds (State):

The unissued balance of Higher Education Bonds authorized by Article 17, section 19, State Constitution ($250 million) is presently earmarked for acquisition of property and for construction of the Stony Brook and University of Buffalo Health Science Research Centers.

Federal Aid:

From time to time, under various Federal programs, grants are made to the State for a portion of the cost of specific capital projects.

These grants are usually in the form of reimbursement of expenditures after a certain percentage of construction has been completed.

The Federal funds are received by State University of New York and are deposited in an "advance repayment account" in the State University Income Fund to be used for reimbursement of first instance advances.

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[1] Statement provided by Norman Hurd, Division of the Budget, New York State.

Bonds issued by N.Y.S. Housing Finance Agency:
Bonds issued by N.Y.S. Dormitory Authority:

The State University Construction Fund Act (Chapter 251 of the laws of 1962) authorized the New York State Housing Finance Agency to issue State University Construction Bonds (amount unlimited) to finance a construction program to provide State University facilities.

Existing legislation contained in the Education Law has authorized the New York State Dormitory Authority to issue bonds for the construction of dormitory facilities.

These bonds are used to finance construction of new facilities and for major rehabilitation of existing facilities.

Under a tri-party lease arrangement between the Housing Finance Agency (HFA), State University of New York (SUNY) and the State University Construction Fund (SUCF), SUCF, acting as agent for HFA, constructs or causes to be constructed State University facilities. By separate agreement, the Dormitory Authority constructs dormitories and related facilities for SUCF.

Funds are advanced in the first instance by the State to SUCF for construction costs and to SUNY for costs of initial equipment for the new facilities. As a prerequisite to these advances, a repayment agreement is entered into by Division of the Budget and both agencies prescribing the schedule for repayment.

Funds for reimbursement to the State for construction advances other than for dormitory construction are provided from the proceeds of State University Construction Bonds issued by HFA. Advances for dormitory construction are repaid from the proceeds of Dormitory Authority bond issues.

Dept service for HFA bonds is supported by student's tuition payments and fees deposited in the State University Income Fund. The lease arrangement provides for "occupancy payments" to be made from the State University Income Fund to SUCF, which in turn are paid to HFA as "annual rental payments". It should be noted that the Act places a restriction on the amount of bonds issued in any fiscal year limiting the issue to an amount which, together with the amount of previous issues, can be supported by the tuition and fees deposited during the previous fiscal year in the State University Income Fund.

Debt service for the Dormitory Authority bonds is provided from SUNY's Dormitory Income Fund.

DISTRIBUTION OF INCOME SUPPORTING HFA AND DORMITORY AUTHORITY FUNDING, 1963-64 THROUGH 1968-69

(in $000's)

	Total	Tuition	Patient Fees	Food Service	Dormi-tories	Other
1963-64	$ 33,213	$21,802	$ 0	$ 0	$ 9,827	$1,584
1964-65	38,457	28,287	82	1	7,760	2,327
1965-66	45,504	28,698	1,757		11,259	2,619
1966-67	68,512	33,444	4,814	1,171	14,428	3,659
1967-68	84,445	37,092	9,059	12,167	16,685	3,273
1968-69	101,674	40,955	13,635	21,538	20.528	5,018

In 1969-70 the estimated debt service for HFA supported projects is $56.4 million. The following estimated income will cover this debt service:

Tuition and fees	$46.0 million
University hospital operations	17.8
Food service	26.0
Miscellaneous	8.8
	$98.6 million

The balance is used to support the operating budget.

In 1963 the following schedule of tuition and fees was established:

Instructional Programs	Tuition		College Fee	Total	
	New York Residents	Out-of-State		New York Residents	Out-of-State
Undergraduate Programs	$400	$ 600	$25	$425	$ 625
Graduate Programs	600	600	25	625	625
Professional Programs in Medicine, Dentistry and Law	800	1,000	25	825	1,025

These charges are not adjusted because of debt service requirements and no adjustment has been made in the rate, to date.

Each $1 million in University income will support $14.33 million in bonds based on the last bonds sold. This figure is derived from a combination of interest and amortization rates.

Example: Last bonds sold 5.625%
Interest and Amortization rate 6.976 (from actuarial tables)

$$\begin{array}{r} 14.33 \\ .06976\;\overline{)\,1.0000} \end{array}$$

To date all bonds sold have been 30-year bonds.

The scope and design of academic and residentail facilities are reviewed by the executive branch with the submission of a detailed facility program listing the spaces necessary to accomplish an academic mission to the Division of Budget.

Following executive approval, the University requests planning and later construction monies for each building. These requests must be approved by the Legislature.

APPENDIX H

FUNCTIONAL USE OF STUDENT CHARGES, 1965-66

The vast bulk of tuition and fee revenue collected from students by public institutions during 1965-66 was used for purposes of instruction, including student services (see Table 1). Relatively minor amounts of these revenues were devoted to other purposes such as student financial assistance, auxiliary enterprises, and organized activities. In all states, irrespective of institutional type, tuition and fee income was used for instructional (or student service) purposes. In some states, especially in the university case, such income was used ONLY for purposes of instruction (see Table 2). When other purposes are reported to have been served, the most frequently cited was student financial assistance.

Taking only those states that use tuition and fees to support financial assistance programs, a slightly different distribution of expenditures from student charges emerges. In the case of only those states (16 in number) in which the public universities used student charges to support financial aid, one finds, of course, that the portion spent for such aid increases, on the average, to 5.5% of total student charge revenue (from the 2.7% reported for institutions in all states). In addition, however, these states also tend to spend more of the student money on auxiliary enterprises (other than housing and food services) than is the case elsewhere.

Thus, while the public institution of higher education most often charges the student to support instruction and/or student services, there are occasions, especially in the four-year college case, when such charges may be used to support student financial assistance programs and auxiliary enterprises such as bookstores, institutional presses, intercollegiate athletics, etc.

APPENDIX H

Table 1

USES OF STUDENT TUITION AND FEES, PUBLIC INSTITUTIONS, 1965-66

Universities	$ (000's)	%
Instruction*	$465,723	94.3%
Organized Research	1,047	.2
Organized Activities	1,410	.3
Student Assistance	13,294	2.7
Housing and Food Service	1,420	.3
Other Auxiliary Enterprises	11,126	2.3
	$494,021	

Four-Year Colleges		
Instruction	$213,116	93.8%
Organized Research	248	.1
Organized Activities	4,287	1.9
Student Assistance	2,403	1.1
Housing and Food Service	1,607	.8
Other Auxiliary Enterprises	5,484	2.4
	$227,144	

SOURCE: Sample of U.S. Office of Education data. For sample size, procedure, etc., see CCHE Report No. 68-11, May 1968.

* Includes "student services."

APPENDIX H

Table 2

INCIDENCE OF NATURE OF USE OF TUITION AND FEES BY STATE, BY INSTITUTIONAL TYPE, 1965-66

UNIVERSITIES

Total states sampled	48
Used for instructional purposes	48
ONLY for instructional purposes	19
student assistance	16
organized activities	14
other auxiliary enterprises	12
organized research	4
housing and food service	3

FOUR-YEAR COLLEGES

Total states sampled	42
Used for instructional purposes	42
ONLY for instructional purposes	6
student assistance	22
organized activities	16
other auxiliary enterprises	13
organized research	10
housing and food service	7

SOURCE: See Table 1.

APPENDIX H

Table 3

FOR THOSE STATES USING TUITION AND FEES FOR STUDENT ASSISTANCE: DISTRIBUTION OF TUITION AND FEES BY USE (unweighted averages), PUBLIC INSTITUTIONS, 1965-66

UNIVERSITIES (n = 16 states of 48)

Instruction	91.4%	
Organized Research	.6	
Organized Activities	.2	
Student Assistance	5.5	(range: 0.4%....15.2%)
Housing & Food Service	.0	
Other Auxil. Enterprises	3.0	

FOUR-YEAR COLLEGES (n = 22 states of 42)

Instruction	91.2%	
Organized Research	.1	
Organized Activities	2.8	
Student Assistance	3.3	(range: 0.03%....21.4%)
Housing & Food Service	.6	
Other Auxil. Enterprises	2.4	

SOURCE: See Table 1.

APPENDIX I

FACTORS IN ADMINISTRATION OF "LEARN, EARN AND REIMBURSE" LOAN PROPOSAL (AB 75, 1969)[1]

Experience with the administration of the Guaranteed Loan Program in California and other states indicates the processing cost to the administrative agency of $8 to $10, or approximately one percent on the average, a loan. This does not include the cost of storage or collection, the other two parts of the administrative function. The student financial aid budgets in the California State Colleges for administration of the National Defense Student Loan Program seem to run at the rate of about 2-1/2% of the National Defense Student Loans outstanding. This figure does not appear to contain any overhead or proration of general administrative costs but is largely out of pocket costs related directly to administration of the loan program. Presumably, the experience at the University of California will be similar although data have not been received at this time. The federal government now authorizes federal funds for administrative purposes at colleges for federal student financial aid programs at a figure not to exceed 3% of federal funds. As indicated above, hopefully there will be more data on this subject very shortly. A recent study by the College Entrance Examination Board indicated a 3% to 5% rule of thumb as an estimate of administrative costs for student financial aid programs such as the National Defense Student Loan Program. Information concerning administrative costs for loans to students from commercial banks is that as a general rule administrative costs are in the area of 3% of outstanding loans.

There are certain factors which should tend to make the administrative costs of the "Learn, Earn, and Reimburse Plan" greater than for conventional loan programs. Since the note is related to cost of instruction, presumably it will be necessary to process a note each quarter or semester of attendance or to develop a procedure for cancelling a portion of an annual note signed at the time of first registration in an academic year when a student does not register in subsequent quarters. Collection is much more complicated and hence more costly than in conventional student loan programs since it is tied to income. Repayment is also for a longer period of time than is usually allowed.

While there is no firm or precise basis for an estimate of administrative costs, it appears that costs to the State Scholarship and Loan Commission for the "Learn, Earn, and Reimburse Plan" would be in the range of 3% to 5% of loans outstanding. Costs on the campus for processing notes in registration and locating students would be in addition to the cost to the Commission.

These loans will be acquired involuntarily by students who presumably will have a negative attitude toward paying the full cost of instruction at a public four-year college and will be in addition to debts which students will acquire for existing college costs which I estimate exceeded $100,000,000 for all students in California last year in the two major federal loan programs. Consequently, the default rate should be higher than in conventional loan programs.

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[1] Statement from Executive Director of State Scholarship Commission.